NEW ISSUE **See "BOND RATINGS" herein**
BOOK-ENTRY-ONLY

In the opinion of Gilmore & Bell, P.C. and The Martinez Law Firm, LLC, Co-Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2009A Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations. The Series 2009A Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See the caption "TAX MATTERS" in this Official Statement.

$198,915,000
CITY OF KANSAS CITY, MISSOURI
WATER REFUNDING AND IMPROVEMENT REVENUE BONDS
SERIES 2009A

Dated Date, Maturities, Principal Amounts, Interest Rates, Prices, Yields and CUSIP Numbers are shown on the Inside Cover Page

The Series 2009A Bonds are special, limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Pledged Revenues (as such term is defined in this Official Statement and consisting primarily of Net Operating Revenues derived by the City from the operation of the System). The taxing power of the City is not pledged to the payment of the Series 2009A Bonds either as to principal or interest. The Series 2009A Bonds will not be or constitute a general obligation of the City nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. See the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS" in this Official Statement.

As further provided herein, the scheduled payment of principal of and interest on certain of the Series 2009A Bonds as indicated on the inside cover page (the "Insured Bonds") when due will be guaranteed by a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2009A Bonds (the "Bond Insurance Policy") by Berkshire Hathaway Assurance Corporation (the "Bond Insurer").

BERKSHIRE HATHAWAY ASSURANCE CORPORATION

The Series 2009A Bonds will be issued as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2009A Bonds. Purchases of the Series 2009A Bonds will be made in book-entry only form, in the denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. as nominee of DTC, is the Bondowner, references herein to the Bondowners or Registered Owners will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners (as defined herein) of the Series 2009A Bonds. See "THE SERIES 2009A BONDS - Book-Entry Only System" in this Official Statement.

Principal of the Series 2009A Bonds will be paid on December 1 in the years in which the Series 2009A Bonds mature (see the inside cover page of this Official Statement). Interest on the Series 2009A Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2009. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made by The Bank of New York Mellon Trust Company, N.A., St. Louis, Missouri, as paying agent and registrar, or any successor or assign thereof (the "Paying Agent") directly to such Bondowner. Disbursement of such payments to DTC Participants is the responsibility of DTC. Distribution of such payments to Beneficial Owners is the responsibility of Direct Participants and Indirect Participants, as more fully described in this Official Statement.

The Series 2009A Bonds are subject to redemption prior to maturity as more fully described under the caption "THE SERIES 2009A BONDS – Redemption Provisions" in this Official Statement.

The Series 2009A Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, and The Martinez Law Firm, LLC, Liberty, Missouri, Co-Bond Counsel. Certain legal matters will be passed upon for the City by Galen Beaufort, Esq., City Attorney, and for the Underwriters by their counsel, Bryan Cave LLP, Kansas City, Missouri, and Hardwick Law Firm, LLC, Kansas City, Missouri. It is expected that the Series 2009A Bonds will be available for delivery at DTC on or about March 12, 2009.

Merrill Lynch & Co. **Siebert Brandford Shank & Co., LLC**
George K. Baum & Company **Rice Financial Products Company**
Valdés & Moreno, Inc.

The date of this Official Statement is February 26, 2009

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NUMBERS

$198,915,000
CITY OF KANSAS CITY, MISSOURI
WATER REFUNDING AND IMPROVEMENT REVENUE BONDS
SERIES 2009A

Dated Date: Date of Issuance

Serial Bonds

Maturity Date (December 1)	Principal Amount	Interest Rate	Price	Yield[1]	CUSIP Numbers[2]
2009	$ 9,405,000	2.000%	100.757%	0.940%	485116RK5
2010	12,045,000	4.000	103.706	1.800	485116RL3
2011	1,275,000	3.000	102.391	2.090	485116RM1
2011	11,465,000	4.000	105.021	2.090	485116RN9
2012	3,425,000	3.000	102.407	2.320	485116RP4
2012	3,175,000	4.000	105.950	2.320	485116RQ2
2012	5,000,000	2.500	100.636	2.320	485116RR0
2013	11,920,000	4.000	106.405	2.550	485116RS8
2014	7,370,000	3.000	100.573	2.890	485116RT6
2014	5,120,000	5.000	111.045	2.890	485116RU3
2015*	4,305,000	4.000	107.363	2.790	485116RV1
2015	5,885,000	5.000	111.633	3.070	485116RW9
2016*	5,030,000	4.000	106.628	3.030	485116RX7
2016*	5,590,000	5.000	113.464	3.030	485116RY5
2017*	1,300,000	3.125	98.680	3.300	485116RZ2
2017*	8,980,000	5.000	112.785	3.300	485116SA6
2018*	1,225,000	3.250	97.790	3.520	485116SB4
2018*	9,025,000	5.000	112.087	3.520	485116SC2
2019*	5,115,000	4.000	102.508	3.690[1]	485116SD0
2019*	5,035,000	5.000	110.612	3.690[1]	486116SE8
2020*	10,585,000	5.000	108.653	3.920[1]	485116SF5
2021*	9,175,000	4.000	99.403	4.060	485116SG3
2022*	9,515,000	5.000	105.996	4.240[1]	485116SH1
2023*	1,100,000	4.375	99.725	4.400	485116SJ7
2023*	7,625,000	5.000	104.696	4.400[1]	485116SK4
2024*	3,735,000	4.500	99.770	4.520	485116SL2

Term Bonds

$17,815,000 4.750% Term Bonds Due December 1, 2028*;
Price: 98.982%; Yield: 4.830%; CUSIP Number[2]: 485116SM0

$17,675,000 5.250% Term Bonds Due December 1, 2032;
Price: 100.067%; Yield[1]: 5.240%; CUSIP Number[2]: 485116SN8

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* The payment of principal and interest on such Series 2009A Bonds have been guaranteed by the Bond Insurance Policy (the "Insured Bonds").

1 Yield on Series 2009A Bonds maturing in the years 2019 and thereafter which are priced at a premium are calculated to first optional call date of December 1, 2018.

2 CUSIP Numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bondowners. Neither the City nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

REGARDING USE OF THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City, the Bond Insurer or the Underwriters or by any person to give any information or to make any representation with respect to the Series 2009A Bonds offered hereby, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor will there be any offer, solicitation or sale of the Series 2009A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not so expressly described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable. The Underwriters have provided the following sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2009A BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2009A BONDS ARE BEING OFFERED IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2009A BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement will be posted on the internet website of Financial Printing Resource, Inc. located at http://www.fpr.net. Information in this Official Statement can be relied upon only if downloaded in its entirety from such website or if obtained in original, bound format.

The Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Series 2009A Bonds. In addition, the Bond Insurer makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained in this Official Statement, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the caption "**BOND INSURANCE**" and in **Appendix G** to this Official Statement.

CITY OF KANSAS CITY, MISSOURI
City Hall
414 East 12th Street
Kansas City, Missouri 64106

ELECTED OFFICIALS

MAYOR
Mark Funkhouser

CITY COUNCIL MEMBERS

Council Members-at-Large

District 1	Deb Hermann
District 2	Ed Ford
District 3	Melba Curls
District 4	Beth Gottstein
District 5	Cindy Circo
District 6	Cathy Jolly

District Council Members

District 1	Bill Skaggs
District 2	Russ Johnson
District 3	Sharon Sanders Brooks
District 4	Jan Marcason
District 5	Terry Riley
District 6	John A. Sharp

CITY ADMINISTRATIVE OFFICIALS

CITY MANAGER
Wayne A. Cauthen

CITY ATTORNEY
Galen Beaufort, Esq.

CITY CLERK
Vickie Thompson

DIRECTOR OF FINANCE & CHIEF FINANCIAL OFFICER
Jeffrey A. Yates

DIRECTOR OF WATER SERVICES (Acting)
John D. Franklin

CO-FINANCIAL ADVISORS

Public Financial Management
Des Moines, Iowa

TKG & Associates
Chicago, Illinois

CO-BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

The Martinez Law Firm, LLC
Liberty, Missouri

FEASIBILITY CONSULTANT

Burns & McDonnell
Kansas City, Missouri

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OFFICIAL STATEMENT

relating to

$198,915,000
CITY OF KANSAS CITY, MISSOURI
WATER REFUNDING AND IMPROVEMENT REVENUE BONDS
SERIES 2009A

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement is to furnish information relating to (i) City of Kansas City, Missouri (the "**City**"), (ii) the City's revenue-producing waterworks system (the "**System**"), as more fully defined in the Second Committee Substitute for Ordinance No. 080197 adopted by the City Council on August 14, 2008 (as amended, the "**Master Bond Ordinance**"), and (iii) the Water Refunding and Improvement Revenue Bonds Series 2009A (the "**Series 2009A Bonds**"), of the City, dated as of the date of their original issuance and delivery, to be issued in the principal amount of $198,915,000, and (iv) Berkshire Hathaway Assurance Corporation (the "**Bond Insurer**").

The Series 2009A Bonds; Authority and Purpose

The Series 2009A Bonds are special, limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of Pledged Revenues, which consist primarily of Net Operating Revenues derived from the operation of the System. The taxing power of the City is not pledged to the payment of the Series 2009A Bonds either as to principal or interest. The Series 2009A Bonds will not be or constitute a general obligation of the City nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. See the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS**" in this Official Statement.

The Series 2009A Bonds are being issued pursuant to the Master Bond Ordinance, as amended and supplemented by Ordinance No. 090099 adopted by the City Council on February 19, 2009 (the "**Series Ordinance**," together with the Master Bond Ordinance, the "**Bond Ordinance**"). The Series 2009A Bonds are being issued to (i) finance and refinance extensions and improvements to the System, (ii) refund certain previously issued water revenue bonds of the City, and (iii) to pay the costs related to the issuance of the Series 2009A Bonds, including but not limited to the premiums for the Bond Insurance Policy and the Reserve Policy (as such terms are defined herein). For information relating to the City's authority to issue the Series 2009A Bonds and the purposes for which the Series 2009A Bonds are being issued, see the caption "**AUTHORITY FOR THE SERIES 2009A BONDS AND PLAN OF FINANCE**" in this Official Statement.

The Series 2009A Bonds are being issued under the Bond Ordinance as the first series of Senior Bonds issued thereunder. The Series 2009A Bonds, together with any additional series of Senior Bonds issued pursuant to the terms of the Bond Ordinance are referred to as the "**Senior Bonds**." For information relating to the issuance of additional Senior Bonds, see the caption "**ADDITIONAL BONDS**" in this Official Statement.

The City

The City is a constitutional charter city established under the laws of the State of Missouri. The City incorporated on June 3, 1850. See the caption "**THE CITY**" in this Official Statement and **Appendix C** to this Official Statement for additional information relating to the City.

Security and Source of Payment for the Series 2009A Bonds

The Series 2009A Bonds and the interest thereon will constitute special, limited obligations of the City, payable solely from the Pledged Revenues and not from any other source. The Series 2009A Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. The taxing power of the City is not pledged to the payment of the Series 2009A Bonds. See the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS**" in this Official Statement.

Bond Insurance and Reserve Policy

Concurrently with the issuance of the Series 2009A Bonds, the Bond Insurer will issue its financial guaranty insurance policy (the "**Bond Insurance Policy**" or the "**Policy**") and its reserve fund financial guaranty insurance policy (the "**Reserve Policy**") for certain of the Series 2009A Bonds as indicated on the inside cover page of this Official Statement (the "**Insured Bonds**"). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the specimen Bond Insurance Policy attached as **Appendix G** to this Official Statement. The Reserve Policy guarantees certain payments into the Debt Service Reserve Subaccount established pursuant to the Bond Ordinance as set forth in the specimen of the Reserve Policy. See the captions "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS – The Bond Insurance Policy**" and "**BOND INSURANCE**" in this Official Statement.

Debt Service Reserve Subaccount

The Bond Ordinance provides for the establishment of a Debt Service Reserve Subaccount within the Sinking Fund Account of the Revenue Fund. The Series Ordinance provides for the establishment of a subaccount within such account for the Series 2009A Bonds, which will be satisfied initially through the purchase of the Reserve Policy. See the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS – Debt Service Reserve Subaccount**" in this Official Statement.

Financial Statements

Audited financial statements of the City's Waterworks Revenue Fund, as of and for the fiscal year ended April 30, 2008, are included in **Appendix B** to this Official Statement. The audited financial statements have been audited by a firm of independent certified public accountants, to the extent and for the periods indicated in the report of such firm, which is also included in **Appendix B**. See the caption "**FINANCIAL STATEMENTS**" in this Official Statement.

Bond Ratings

The City received ratings on the Series 2009A Bonds as set forth under the caption "**BOND RATINGS**" in this Official Statement.

Additional Information

Additional information regarding the City, the Series 2009A Bonds and the Bond Ordinance may be obtained from Public Financial Management, 2600 Grand Avenue, Suite 214, Des Moines, Iowa 50312 or from TKG & Associates, 440 North Wabash Avenue, Suite 3909, Chicago, Illinois.

THE CITY

In General

The City was incorporated on June 3, 1850. The City is the central city of an fifteen-county Metropolitan Statistical Area (MSA), which includes Bates, Caldwell, Cass, Clay, Jackson, Platte, Clinton, Lafayette and Ray counties in the State of Missouri and Franklin, Johnson, Leavenworth, Linn, Miami and Wyandotte counties in the State of Kansas, and is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35 and I-70. The City had a population of 480,534, according to the City's Planning and Development Department's 2008 estimate. The Kansas City MSA had a population of 2,006,565 according to the City's Planning and Development Department's 2008 estimate. See "**APPENDIX B: ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS**" and "**APPENDIX C: INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI**" for further information.

Available Information

The City has entered into continuing disclosure undertakings under SEC Rule 15c2-12, under which the City annually files its audited financial statements and certain other information with each nationally recognized municipal securities information repository. Such financial statements and other information are available from the nationally recognized municipal securities information repositories. The SEC maintains a site on the World Wide Web at http://www.sec.gov/info/municipal/nrmsir.htm, which contains a listing of the nationally recognized municipal securities repositories. The City intends, but is not obligated, to file its continuing disclosure filings through Municipal Advisory Council of Texas's central post office system located on the World Wide Web at http://www.disclosureusa.org, where interested parties may obtain an index of filings made by the City through such service.

The MSRB has sought to establish a continuing disclosure service of its Electronic Municipal Market Access System ("**EMMA**"), considered the equivalent of the SEC's EDGAR system, located on the World Wide Web at http://emma.msrb.org. MSRB filed with the SEC an amendment to the continuing disclosure proposal intended to provide for a transition to EMMA's continuing disclosure service. The operational date for the continuing disclosure service has been set at July 1, 2009. Thus, beginning on July 1, 2009, filings with the MSRB may be made via EMMA. EMMA will replace the four existing nationally recognized municipal securities information repositories, as well as the Central Post Office disclosure service.

For information relating to the City's continuing disclosure undertakings in connection with the issuance of the Series 2009A Bonds, see the caption "**CONTINUING DISCLOSURE**" in this Official Statement.

Accounting Change for Other Postemployment Benefits

In June 2004, the Governmental Accounting Standards Board ("**GASB**") issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Specifically, the City is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health benefits that will be provided to retired employees in future years. The disclosure requirement for the City began with the fiscal year ending April 30, 2008.

The City's aggregate actuarial accrued liability (including Police uniformed and civilian) is $181,732,457 and the corresponding annual required contribution (ARC) is $18,172,240. The general government's actuarial accrued OPEB liability and ARC are $119,131,619 and $12,688,865, respectively. For financial reporting purposes, the aggregate actuarial accrued OPEB liability and ARC (excluding Police uniformed and civilian) will be apportioned to both governmental and business-type activities (*i.e.*, aviation, water, storm water and wastewater). The water fund's actuarial accrued OPEB liability and ARC are $11,943,294.46 and $1,272,095.91, respectively.

Incorporation of Certain Documents by Reference

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement therein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

THE SERIES 2009A BONDS

In General

The Series 2009A Bonds will be issued in the principal amount stated on the cover of this Official Statement, will be dated as of the date of their original issuance and delivery and will consist of fully registered bonds without coupons in the denominations of $5,000 or any integral multiple thereof. The Series 2009A Bonds will mature, subject to redemption as described below, on December 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2009A Bonds will be payable semiannually on June 1 and December 1, beginning June 1, 2009. Principal will be payable upon presentation and surrender of the Series 2009A Bonds by the Registered Owner thereof to the Paying Agent. Interest will be paid to the Registered Owners of the Series 2009A Bonds as shown on the Bond Register at the close of business on the 15th day of the month preceding such interest payment date (the "**Record Date**"), for such interest (a) by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register or (b) at such other address as is furnished to the Paying Agent in writing by any Registered Owner or (c) in the case of an interest payment to any Registered Owner of $500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer address (which will be in the continental United States) to which such Registered Owner wishes to have such electronic transfer directed.

Redemption Provisions

Optional Redemption. The Series 2009A Bonds maturing on and after December 1, 2019, are subject to redemption prior to maturity, at the option of the City, in whole or in part at any time on or after December l, 2018, at the principal amount thereof, together with accrued interest thereon to date of redemption, at a redemption price equal to 100% of the principal amount, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2009A Bonds maturing in the years 2028 and 2032 are subject to scheduled mandatory redemption by the City at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, on each December 1 as follows:

Term Bonds Due December 1, 2028

Year	Amount
2024	$ 3,240,000
2025	3,395,000
2026	3,555,000
2027	3,725,000
2028*	3,900,000

* Final Maturity.

Term Bonds Due December 1, 2032

Year	Amount
2029	$ 4,085,000
2030	4,300,000
2031	4,525,000
2032*	4,765,000

* Final Maturity.

Notice of Redemption. Unless waived by any registered owner of Series 2009A Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail, at least 30 days prior to the date fixed for redemption to the registered owner of the Series 2009A Bond or Series 2009A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall be dated, shall contain the complete official name of the Series 2009A Bond issue, and shall state: (i) the redemption date; (ii) the redemption price; (iii) the interest rate and maturity date of the Series 2009A Bonds being redeemed; (iv) if less than all the Outstanding Series 2009A Bonds are to be redeemed, the Series 2009A Bond numbers, and, where part of the Series 2009A Bonds evidenced by one Series 2009A Bond certificate are being redeemed, the respective Principal amounts of such Series 2009A Bonds to be redeemed; (v) that on the redemption date the redemption price will become due and payable upon each such Series 2009A Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after such date; and (vi) the place where such Series 2009A Bonds are to be surrendered for payment of the redemption price (which place of payment shall be the principal payment office of the Paying Agent or at such other office designated by the Paying Agent for such purpose) and the name, address, and telephone number of a person or persons at the Paying Agent who may be contacted with respect to the redemption.

Any notice of optional redemption of any Series 2009A Bonds may specify that the redemption is contingent upon the deposit of moneys with the Paying Agent in an amount sufficient to pay the redemption price (which price shall include the redemption premium, if any) of all the Series 2009A Bonds or portions of Series 2009A Bonds which are to be redeemed on that date.

Effect of Notice of Redemption. Official notice of redemption having been given in the manner and under the conditions provided in the Bond Ordinance and moneys for payment of the redemption price being held by the Paying Agent as provided in the Bond Ordinance, the Series 2009A Bonds or portions of Series 2009A Bonds called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2009A Bonds or portions of Series 2009A Bonds on such date, and from and after such date interest on the Series 2009A Bonds or portions of Series 2009A Bonds called for redemption shall cease to accrue, such Series 2009A Bonds or portions of Series 2009A Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Ordinance, and the owners of such Series 2009A Bonds or portions of Series 2009A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Upon surrender for partial redemption of any Series 2009A Bond, there shall be prepared for and delivered to the registered owner a new Series 2009A Bond or Series 2009A Bonds of the same series, maturity, and interest rate in the amount of the unpaid Principal.

Partial Redemption. If less than all of the Series 2009A Bonds of like maturity shall be called for redemption, the particular Series 2009A Bonds, or portions of Series 2009A Bonds, to be redeemed shall be selected by the City. The portion of any Series 2009A Bond of a denomination of more than $5,000 to be redeemed shall be in the Principal amount of $5,000 or an integral multiple of $5,000 in excess thereof, and, in selecting portions of such Series 2009A Bonds for redemption, the City shall treat each such Series 2009A Bond as representing that number of Series 2009A Bonds which is obtained by dividing the Principal of such Series 2009A Bond to be redeemed in part by $5,000.

Book-Entry-Only System

The information provided immediately below concerning DTC and the Book-Entry-Only System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the City. The Underwriters and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

General. When the Series 2009A Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system (the "**Book-Entry-Only System**") maintained by DTC. DTC will act as securities depository for the Series 2009A Bonds. Initially, the Series 2009A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry-Only System, as described below.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation ("**NSCC**," "**GSCC**," "**MBSCC**" and "**EMCC**" also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc.

Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "**Indirect Participants**" and collectively with the Direct Participants, the "**Participants**"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at http://www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "**Beneficial Owner**") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Series 2009A Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Series 2009A Bonds, and references herein to the bondowners or registered owners of such Bonds will mean Cede & Co. and will not mean the Beneficial Owners of such Bonds.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2009A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2009A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date identified in a listing attached to the Omnibus Proxy.

Payments of Principal and Interest. So long as any Bond is registered in the name of DTC's nominee, all payments of principal of, premium, if any, and interest on such Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent or Bond Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2009A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry-Only System. DTC may discontinue providing its services as a securities depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Series 2009A Bonds are required to be printed and delivered as described in the Bond Ordinance.

The use of the system of book-entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Bond Ordinance. In that event, the Series 2009A Bonds will be printed and delivered as described in the Bond Ordinance.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriters believe to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Registration, Transfer and Exchange of Series 2009A Bonds

The City shall cause the Bond Register for the registration and for the transfer of the Series 2009A Bonds as provided in the Bond Ordinance to be kept by the Bond Registrar. The Series 2009A Bonds shall be registered as to Principal and interest on the Bond Register upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon; provided that the City reserves the right to issue coupon Series 2009A Bonds payable to bearer whenever to do so would not result in any adverse federal tax consequences.

Series 2009A Bonds may be transferred by surrender for transfer at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or the registered owner's attorney duly authorized in writing. The City shall cause to be executed and the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees a new Series 2009A Bond or Series 2009A Bonds of the same series, maturity, interest rate, aggregate Principal, and tenor of any authorized denomination or denominations, and bearing numbers not then outstanding.

Series 2009A Bonds may be exchanged at the principal corporate trust office of the Bond Registrar or at such other office designated by the Bond Registrar for such purpose, for a like aggregate Principal amount of Series 2009A Bonds of other authorized denominations of the same series, maturity, and interest rate, and bearing numbers not then outstanding. The City shall cause to be executed and the Bond Registrar shall authenticate and deliver Series 2009A Bonds which the Bondholder making the exchange is entitled to receive.

The Bond Registrar shall not be required to transfer or exchange any Series 2009A Bond after notice calling such Series 2009A Bond for redemption has been given or during the period of 15 days (whether or not a Business Day for the Bond Registrar, but excluding the date of giving such notice of redemption and including such 15^{th} day) immediately preceding the giving of such notice of redemption.

In any exchange or registration of transfer of any Series 2009A Bond, the owner of the Series 2009A Bond shall not be required to pay any charge or fee; provided, however, if and to whatever extent any tax or governmental charge is at any time imposed on any such exchange or transfer, the City or the Bond Registrar may require payment of a sum sufficient for such tax or charge. In the event any Bondholder fails to provide a correct taxpayer identification number to the Bond Registrar, the Bond Registrar may impose a charge against such Bondholder sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Bondholder hereunder or under the Series 2009A Bonds.

Mutilated, Lost, Stolen or Destroyed Series 2009A Bonds

If any Series 2009A Bond is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Series 2009A Bond of the same maturity, interest rate, aggregate Principal, and tenor in lieu of and in substitution for the Series 2009A Bond mutilated, lost, stolen or destroyed. In the case of any mutilated Series 2009A Bond, however, such mutilated Series 2009A Bond shall first be surrendered to the Bond Registrar, and, in the case of any lost, stolen or destroyed Series 2009A Bond, there shall first be furnished to the Bond Registrar evidence satisfactory to it of the ownership of such Series 2009A Bond and of such loss, theft or destruction, together with indemnity to the City and the Bond Registrar, satisfactory to each of them. If any such Series 2009A Bond shall have matured or a redemption date pertaining to the Series 2009A Bond shall have passed, instead of issuing a new Series 2009A Bond the City may pay or cause the Paying Agent to pay the Series 2009A Bond. The City, the Bond Registrar, and the Paying Agent may charge the owner of such Series 2009A Bond with their reasonable fees and expenses for replacing mutilated, lost, stolen or destroyed Series 2009A Bonds.

In executing a new Series 2009A Bond and in furnishing the Bond Registrar with the written authorization to deliver a new Series 2009A Bond as provided for in the Bond Ordinance, the City may rely conclusively on a representation of the Bond Registrar that the Bond Registrar is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Series 2009A Bond.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2009A Bonds, but neither the failure to print such numbers on the Series 2009A Bonds, nor any error in the printing of such numbers will constitute cause for the failure or refusal by the purchaser thereof to accept delivery of and payment for any Bond.

AUTHORITY FOR THE SERIES 2009A BONDS AND PLAN OF FINANCE

In General

The Series 2009A Bonds are being issued by the City for the purpose of providing funds (i) to finance extensions and improvements to the System (the "**Project**") (see the subcaption "**The Project**" below for additional information on the anticipated major components of the Project) authorized by voters at the 2005 Election (as such term is defined below), (ii) to refund eight prior series of water revenue bonds as shown in the table below (collectively, the "**Refunded Bonds**"), and (iii) to pay certain costs of issuance incurred in connection with the issuance of the Series 2009A Bonds, including the premiums for the Bond Insurance Policy and the Reserve Policy.

Series Designation	Original Principal Amount	Amount Principal Outstanding	Final Redemption or Maturity Date*
Water Refunding Revenue Bonds, Series 1996A	$ 45,550,000	$ 3,450,000	March 30, 2009
Water Revenue Bonds, Series 1996B	28,000,000	14,650,000	March 30, 2009
Water Refunding Revenue Bonds, Series 1998A	38,260,000	21,215,000	March 30, 2009
Water Revenue Bonds, Series 1998B	14,410,000	8,905,000	March 30, 2009
Water Revenue Bonds, Series 2000A	25,000,000	17,500,000	December 1, 2010
Water Revenue Bonds, Series 2002C	17,500,000	13,360,000	December 1, 2011
Water Revenue Bonds, Series 2004D	25,000,000	24,500,000	December 1, 2023
Water Revenue Bonds, Series 2005F	30,000,000	30,000,000	December 1, 2024

* The Series 2004D Bonds and the Series 2005F Bonds are being escrowed to maturity and not redeemed prior to their respective final maturity dates.

Authority for the Series 2009A Bonds

The Series 2009A Bonds are being issued under the authority of and in full compliance with the Constitution and the laws of the State of Missouri, including Article VI, Section 26 of the Constitution of Missouri, 1945, as amended, the Charter of the City, and Ordinances adopted by the council of the City. The portion of the Series 2009A Bonds being issued to fund the Project were authorized by the voters of the City in an election held on August 2, 2005 (the "**2005 Election**"), as further discussed below. At the 2005 Election, a majority of voters of the City authorized $250,000,000 in water revenue bonds to be issued by the City. The City has previously issued $24,910,000 of water revenue bonds authorized at the 2005 Election, leaving a balance of $225,090,000 of water revenue bonds authorized at the 2005 Election, of which authorization the City is utilizing $69,000,000 to finance the Project. Following the issuance of the Series 2009A Bonds, the City's only authorized but unissued water revenue bonds will consist of the $156,090,000 remaining from the 2005 Election.

The portion of the Series 2009A Bonds being issued to refund the Refunded Bonds do not require specific voter authorization since they are being issued to refund previously issued water revenue bonds of the City.

The Project

A portion of the proceeds from the Series 2009A Bonds will be used, along with Water Services Department revenues, to finance extensions and improvements to the System. Major components of the Project include the acquisition of installation of mobile generators and certain pump stations, extensions and replacements of water mains, pump station expansions and improvements and the renovation and rehabilitation of existing water treatment facilities.

The Refundings

Series 1996A Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be transferred to the escrow agent for the Refunded Series 1996A Bonds, and will be used to pay and redeem the outstanding Series 1996A Bonds on March 30, 2009.

Series 1996B Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be transferred to the escrow agent for the Refunded Series 1996B Bonds, and will be used to pay and redeem the outstanding Series 1996B Bonds on March 30, 2009.

Series 1998A Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be transferred to the escrow agent for the Refunded Series 1998A Bonds, and will be used to pay and redeem the outstanding Series 1998A Bonds on March 30, 2009.

Series 1998B Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be transferred to the escrow agent for the Refunded Series 1998B Bonds, and will be used to pay and redeem the outstanding Series 1998B Bonds on March 30, 2009.

Series 2000A Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be used to refund the outstanding Series 2000A Bonds pursuant to the terms of an Escrow Deposit Agreement, dated as of March 1, 2009 (the "**2000/2002 Escrow Agreement**"), between the City and UMB Bank, N.A., escrow agent (the "**Escrow Agent**"). The Series 2000A Bonds maturing on December 1, 2011 and thereafter will be redeemed on December 1, 2010 at a redemption price equal to 100% of the principal amount thereof.

Series 2002C Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be used to refund the outstanding Series 2002C Bonds pursuant to the terms of the 2000/2002 Escrow Agreement. The Series 2002C Bonds maturing on December 1, 2012 and thereafter will be redeemed on December 1, 2011 at a redemption price equal to 100% of the principal amount thereof.

Series 2004D Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be used to refund the outstanding Series 2004D Bonds pursuant to the terms of an Escrow Deposit Agreement, dated as of March 1, 2009 (the "**2004/2005 Escrow Agreement**"), between the City and the Escrow Agent. The City will escrow sufficient funds to defease the Series 2004D Bonds to their final maturity date of December 1, 2023.

Series 2005F Bonds. A portion of the funds derived from the sale of the Series 2009A Bonds will be used to refund the outstanding Series 2005F Bonds pursuant to the terms of the 2004/2005 Escrow Agreement. The City will escrow sufficient funds to defease the Series 2005F Bonds to their final maturity date of December 1, 2024.

Escrow Agreements. Funds deposited with the Escrow Agent pursuant to the related Escrow Agreement will be used to purchase permitted investments that will mature in such amounts and at such times as will be sufficient, together with the interest to accrue thereon, (i) to pay the principal and interest on the related series of the Refunded Bonds becoming due on and before either the maturity date or the related redemption date, and (ii) if applicable, to redeem and pay the related series of the Refunded Bonds maturing on or after the related redemption date at the redemption price described above.

Verification Report. Chris D. Berens, CPA, P.C., certified public accountants, Omaha, Nebraska (the "**Verification Agent**"), will deliver to the City and the Escrow Agent their report verifying the accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the U.S. Treasury obligations or other permitted investments to pay, when due or, if applicable, called for redemption on the redemption date, the principal of and interest on the Refunded Bonds.

Estimated Sources and Uses of Funds

Estimated Sources of Funds:		
Par Amount of Bonds	$	198,915,000.00
Transfer of Funds Relating to Refunded Bonds		4,628,278.77
Net Reoffering Premium / Discount		9,351,609.40
Total Sources	$	212,894,888.17
Estimated Uses of Funds:		
Deposit to Series 2009A Project Account of the Project Fund	$	68,707,812.06
Transfers to Paying Agent and Escrow Agent relating to Refunded Bonds		139,895,292.74
Costs of Issuance (including underwriters' discount and premiums for the Bond Insurance Policy and the Reserve Policy)		4,291,783.37
Total Uses	$	212,894,888.17

SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS

In General

The Series 2009A Bonds and any additional Senior Bonds and the interest thereon will constitute special, limited obligations of the City, payable solely from the Pledged Revenues and not from any other source. The Series 2009A Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. **The taxing power of the City is not pledged to the payment of the Series 2009A Bonds.** See the subcaption "**Pledged Revenues**" below for a further description of the source of payment for the Series 2009A Bonds.

To the best of its knowledge, the City has never defaulted on any of its obligations payable from revenues of the System.

The Series 2009A Bonds are the first series of revenue bonds to be issued pursuant to the Bond Ordinance. The pledge of the Pledged Revenues under the Bond Ordinance is senior to the pledge of net water system revenues made with respect to previously issued subordinate water revenue bonds (the "**Subordinate Bonds**"), which, at the time of issuance of the Series 2009A Bonds, consists solely of the City's Subordinate Water Revenue Bonds, Series 2008A (the "**Series 2008A Bonds**") originally issued in the aggregate principal amount of $35,000,000 and currently outstanding in the aggregate principal amount of $35,000,000.

The Bond Ordinance establishes the funds and accounts that will be maintained for the Series 2009A Bonds. A discussion of the funds and accounts to be established in regards to the Series 2009A Bonds and the flow of funds for the Series 2009A Bonds and the Subordinate Bonds appears in **Appendix D** to this Official Statement. Copies of the Bond Ordinance are available upon request.

Pledged Revenues

Pursuant to the Bond Ordinance, the following revenues (the "**Pledged Revenues**") have been pledged to the payment of the Series 2009A Bonds and any other Bonds issued pursuant to the terms thereof: (a) the Net Operating Revenues, (b) Hedge Receipts, and (c) all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the funds and accounts established pursuant to the Bond Ordinance, but excluding any amounts required in the Bond Ordinance to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Account.

The following terms are set forth in the Bond Ordinance for use in determining Net Operating Revenues:

> "**Net Operating Revenues**" means Operating Revenues, after provision for payment of all Expenses of Operation and Maintenance.
>
> "**Operating Revenues**" means all income and revenues derived and accrued by the City from the ownership and operation of the System, including capital repayments actually received by the City in connection with improvements to the System, Investment Earnings and any amounts held in escrow in connection with the construction of extensions and improvements to the System to be applied during the period of determination to pay interest on water system revenue bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business.
>
> "**Expenses of Operation and Maintenance**" means all reasonable and necessary expenses of operating and maintaining the System, including any ongoing fees associated with Bonds (but, excluding Administrative Service Fees, capital lease payments, if any, interest paid on water revenue bonds, depreciation and amortization charges, any non-cash OPEB Obligations and any other items listed in Section 4.3(a)(2) – (11)) pursuant to Section 4.3 of the Bond Ordinance.

The pledge of the Pledged Revenues is senior to the pledge of such revenues to the payment of the Subordinate Bonds which, at the time of issuance of the Series 2009A Bonds, consists of only the Series 2008A Bonds currently outstanding in the principal amount of $35,000,000.

Revenue Fund

Pursuant to the Bond Ordinance, the City will deposit and continue to deposit all Operating Revenues and any extraordinary revenues from the sale of assets not in the ordinary course of business in the Revenue Fund from time to time as and when received. Moneys in the Revenue Fund will be applied by the City from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the following order of priority:

(1) to pay Expenses of Operation and Maintenance;

(2) to deposit into the Sinking Fund Account the amounts required by the Bond Ordinance;

(3) to deposit into the Rebate Account the amounts required by the Bond Ordinance;

(4) to make Replenishment Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance, and to pay to any Credit Facility Provider any amounts due under a Credit Facility Agreement, including Additional Interest;

(5) to pay any amounts due any Reserve Account Credit Facility Provider pursuant to the Reserve Account Credit Facility Agreement;

(6) to make Accumulation Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance;

(7) to deposit the amounts required to be deposited into the funds and accounts created by any Series Ordinance authorizing the issuance of Subordinate Bonds, for the purpose of paying Principal of (whether at maturity, upon mandatory redemption or as otherwise required by a Series Ordinance relating to Subordinate SRF Bonds) and interest on Subordinate Bonds, making Hedge

Contingency Payments under Senior Hedge Agreements, making Hedge Payments and making Hedge Contingency Payments under Subordinate Hedge Agreements, and accumulating reserves for such payments;

(8) to pay any amounts required to be paid with respect to any Other System Obligations, subject to annual appropriation;

(9) to pay Administrative Service Fees;

(10) to deposit to the Renewal and Replacement Account an amount determined by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the City Council, as may be amended from time to time, to be applied in accordance with the Bond Ordinance; and

(11) to deposit any remaining amount in the Surplus Account.

Bond Insurance

The payment, when due, of the principal of and interest on the Series 2009A Bonds at the stated maturity thereof or upon mandatory sinking fund redemption will be insured by the Bond Insurance Policy. The Bond Insurance Policy extends for the term of the Insured Bonds and cannot be canceled by the Bond Insurer. Payment under the Bond Insurance Policy is described under the caption "**BOND INSURANCE**" and in the specimen policy included in **Appendix G** to this Official Statement.

The Bond Insurance Policy does not provide any guarantee of payment with respect to any of the Series 2009A Bonds other than the Insured Bonds as set forth on the inside cover page of this Official Statement.

Debt Service Reserve Subaccount

A Debt Service Reserve Subaccount within the Sinking Fund Account is established pursuant to the Bond Ordinance. Amounts in the Debt Service Reserve Subaccount are required to be transferred to the Payments Subaccount under the Bond Ordinance to be used to pay principal of and interest on Series 2009A Bonds when due, to the extent that amounts on deposit in the Payments Subaccount are not sufficient for such purpose.

The Bond Ordinance requires that the Debt Service Reserve Subaccount be maintained in an amount equal to the Debt Service Reserve Requirement. In lieu of a cash deposit, the Debt Service Reserve Requirement will be satisfied by the Reserve Policy.

For a further description of the Debt Service Reserve Subaccount and the deposit to and application of funds from such subaccount, see **Appendix D** to this Official Statement.

Rate Covenant

Pursuant to the Bond Ordinance, the City has covenanted and agreed to prescribe, fix, maintain, and collect rates, fees, and other charges for the services, facilities, and commodities furnished by the System fully sufficient at all times to:

(a) provide for 100% of the Expenses of Operation and Maintenance; and

(b) produce Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, in each Fiscal Year which, together with Investment Earnings:

(i) will equal at least (A) 125% of the Debt Service Requirement on all Senior Bonds then Outstanding for the Fiscal Year of computation, (B) 115% of the Debt Service Requirement on all Bonds then Outstanding for the Fiscal Year of computation, and (C) 110 % of the Debt Service Requirement on all Bonds and Other System Obligations then Outstanding for the Fiscal Year of computation; and

(ii) will enable the City to make all required payments, if any, into the Debt Service Reserve Subaccount and the Rebate Account and to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Hedge Payments; and

(iii) will enable the City to make all payments, if any, into the Renewal and Replacement Account required by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the City Council, as may be amended from time to time; and

(iv) will remedy all deficiencies in required payments into any of the funds and accounts established under the Bond Ordinance from prior Fiscal Years.

If the City fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of the Bond Ordinance, the owners of not less than 25% in aggregate Principal of the Bonds then Outstanding, without regard to whether any Event of Default will have occurred, may institute and prosecute in any court of competent jurisdiction an appropriate action to compel the City to prescribe, fix, maintain, or collect such rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the requirements of this Section.

ADDITIONAL BONDS

The Series 2009A Bonds are being issued under the Bond Ordinance as the first series of Senior Bonds issued thereunder. The City has the right to issue additional Senior Bonds payable from the same source and secured by the same Pledged Revenues as the Series 2009A Bonds; provided, however, such additional Senior Bonds may be so issued only in accordance with and subject to the covenants, conditions and restrictions set forth in the Bond Ordinance. Under the Bond Ordinance, the City has covenanted that so long as any Senior Bonds remain Outstanding, the City, after the date of adoption of the Bond Ordinance, will not issue any debt obligations, including capital leases, payable out of the Pledged Revenues which are superior in lien, security or otherwise to the Senior Bonds. The City has also covenants that it will not issue additional Senior Bonds unless the following conditions are met:

(a) There will have been filed with the City either:

(i) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, for the most recent available annual audit for the Fiscal Year prior to the issuance of the proposed Senior Bonds were equal to at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds, or

(ii) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the forecasted Net Operating Revenues for each Fiscal Year in the Forecast Period are expected to equal at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds.

The report that is required by paragraph (a)(i) above may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the date of delivery of the proposed Senior Bonds (which date of adoption may be in the Fiscal Year in which the Senior Bonds are issued) not fully reflected in the historical Net Operating Revenues actually received during the most recent Fiscal Year for which an annual audit is available. Such pro forma adjustments will be based upon a report of a Consulting Engineer as to the amount of Operating Revenues which would have been received during such period had the new rate schedule been in effect throughout such period.

The report that is required by paragraph (a)(ii) may <u>not</u> take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the Council. Such rate schedule adopted by ordinance may contain, however, future effective dates.

For any Fiscal Year of less than 12 months the preceding calculations may be adjusted to reflect a Maximum Annual Debt Service Requirement that is prorated over the actual number of months in such Fiscal Year.

(b) The City will have received, at or before issuance of the Senior Bonds, a report from a Consulting Engineer or an Independent Certified Public Accountant to the effect that the payments required to be made into each subaccount of the Sinking Fund Account have been made and the balance in each subaccount of the Sinking Fund Account is not less than the balance required by the Bond Ordinance as of the date of issuance of the proposed Senior Bonds.

(c) Except with respect to Senior SRF Bonds, the Series Ordinance authorizing the proposed Senior Bonds must require (i) that the amount to be accumulated and maintained in the Debt Service Reserve Subaccount be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds and (ii) that the amount of such increase be deposited in such account on or before the date and at least as fast as specified in the Bond Ordinance.

(d) The Series Ordinance authorizing the proposed Senior Bonds must require the proceeds of such proposed Senior Bonds to be used solely to make capital improvements to the System, to fund interest on the proposed Senior Bonds and certain other allowable fees, to acquire existing or proposed waterworks utilities, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of the Bond Ordinance), and to pay expenses incidental thereto and to the issuance of the proposed Senior Bonds.

(e) If any Senior Bonds are Auction Rate Bonds or would bear interest at a Variable Rate, the Series Ordinance under which such Senior Bonds are issued will provide a maximum rate of interest per annum which such Senior Bonds may bear.

(f) The Director of Finance or the Director of Water Services will have certified, by written certificate dated as of the date of issuance of the Senior Bonds, that the City is in compliance with all requirements of the Bond Ordinance.

(g) The City will have received an opinion of Bond Counsel, dated as of the date of issuance of the Senior Bonds, to the effect that the Series Ordinance and any related Supplemental Ordinance authorizing the issuance of Senior Bonds have been duly adopted by the City.

Pursuant to the terms and conditions of the Bond Ordinance, the City may also issue certain refunding bonds and Subordinate Bonds, enter into Hedge Agreements and Credit Facility Agreements and incur Other System Obligations. For a summary of such terms and conditions, see **Appendix D** to this Official Statement.

BOND INSURANCE

*The following information furnished by Berkshire Hathaway Assurance Corporation (the "**Bond Insurer**") and reference is made to **Appendix G** to this Official Statement for a specimen of the financial guaranty insurance policy (the "**Bond Insurance Policy**") of the Bond Insurer.*

Bond Insurance Policy

Concurrently with the issuance of the Series 2009A Bonds, Berkshire Hathaway Assurance Corporation ("**BHAC**" or the "**Bond Insurer**") will issue its financial guaranty insurance policy for the Insured Bonds (the "**Policy**" or the "**Bond Insurance Policy**"). The Policy guarantees the scheduled payment of principal and interest on the Insured Bonds only when due as set forth in the form of the Policy included as **Appendix G** to this Official Statement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Laws.

The Bond Insurer

BHAC is a New York stock insurance corporation that writes financial guaranty insurance. BHAC was organized on December 21, 2007, and received its New York Certificate of Authority on December 28, 2007. BHAC is licensed in New York to write financial guaranty insurance, surety insurance and credit insurance. As of September 30, 2008, BHAC was licensed to write financial guaranty insurance in 49 additional states and the District of Columbia.

BHAC's shareholders and their respective percentage of outstanding common stock are as follows: Columbia Insurance Company ("**Columbia**"), a Nebraska corporation – 51%, and National Indemnity Company, a Nebraska corporation – 49%. Columbia and National Indemnity Company are each indirect, wholly owned subsidiaries of Berkshire Hathaway Inc.

BHAC is subject to the insurance laws and regulations of the State of New York, BHAC's state of domicile. Pursuant to New York's financial guaranty insurance law, financial guaranty insurers are limited to writing financial guaranty insurance and related lines, including surety and credit insurance. In addition, New York's financial guaranty insurance law (i) requires such insurers to maintain a minimum surplus as regards policyholders, (ii) establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as a percentage of surplus as regards policyholders; and (iii) establishes contingency, loss and unearned premium reserve requirements. BHAC is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations vary by jurisdiction.

At September 30, 2008, BHAC had surplus as regards policyholders of slightly less than $1,000,000,000, determined in accordance with statutory accounting practices ("**SAP**") prescribed or permitted by the New York Department of Insurance.

Copies of BHAC's most recently published SAP Annual Statement is available upon request to: Berkshire Hathaway Assurance Corporation, 100 First Stamford Place, Stamford, Connecticut 06902, Attention: General Counsel. BHAC's telephone number is (203) 363-5200.

Bond Insurer's Credit Ratings

Standard & Poor's Rating Services ("**S&P**"), a Division of the McGraw Hill Companies, Inc., has assigned its "AAA" financial strength and financial enhancement ratings to BHAC. S&P has assigned its "AAA" financial enhancement rating to Columbia. The ratings on BHAC are based on a guaranty from Columbia in favor of BHAC. The guaranty issued by Columbia applies to BHAC's policy issued with respect to the Insured Bonds. Any explanation of these ratings may only be obtained from S&P. The ratings are not a recommendation to buy, sell or hold the Insured Bonds, and are subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Insured Bonds.

In addition, Moody's Investors Service ("**Moody's**") has assigned its "Aaa" insurance financial strength ratings to BHAC and Columbia. Any explanation of these ratings may only be obtained from Moody's. The ratings are not a recommendation to buy, sell or hold the Insured Bonds, and are subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Insured Bonds. On April 25, 2008, the date that Moody's assigned its rating to BHAC, BHAC ultimate parent company, Berkshire Hathaway Inc., maintained an investment in Moody's parent company of approximately 19.6% of the common shares then outstanding.

BHAC does not guarantee the market price or investment value of the Insured Bonds nor does it guarantee that the ratings on the Insured Bonds will not be revised or withdrawn.

Neither BHAC nor any of its affiliates accepts any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure that is provided to potential purchasers of the Insured Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to BHAC or the Policy under the heading "**Bond Insurance Policy**." In addition, BHAC makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds.

Reserve Policy

The Bond Insurer has made a commitment to issue a reserve fund financial guaranty policy for the debt service reserve fund with respect to the Series 2009A Bonds (the "**Reserve Policy**"), effective as of the date of issuance of the Series 2009A Bonds. Under the terms of the Reserve Policy, the Bond Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2009A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the City (the "**Insured Payments**").

The Bond Insurer will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the City to the Paying Agent, as beneficiary of the Reserve Policy on behalf of the holders of the Series 2009A Bonds on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which the Bond Insurer receives a demand for payment therefor in accordance with the terms of the Reserve Policy.

No payment shall be made under the Reserve Policy that relates to the Series 2009A Bonds in excess of $15,304,827.42 (the "**Reserve Fund Insurance Policy Limit**"). Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Paying Agent shall automatically be reduced to the extent of any payment made by the Bond Insurer under the Reserve Policy, provided, that, to the extent of the reimbursement of such payment to the Bond Insurer, the amount available under the

Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Policy shall not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Laws.

THE SYSTEM

The Water Services Department's activities consist of obtaining, purifying and delivering potable water for domestic, commercial and industrial use and for fire protection within the City and surrounding areas.

Primary System

The primary System includes a 240 million gallon per day treatment plant, four major pump stations, 14 repump stations, numerous water storage facilities, and about 2,700 miles of water mains. Treated water service is provided to approximately 153,000 retail customers inside and outside the City and 32 active wholesale customers. There are also connections with the transmission systems of six other regional water suppliers that can be activated in case of an emergency.

The City obtains its raw water for the primary System from a combination of surface and ground water sources. Surface water comes from the Missouri River and accounts for approximately 80% of the raw water. Ground water comes from a well field in the Missouri River aquifer and accounts for the remaining 20% of raw water. Water treatment is a four-step process that consists of clarification, softening, stabilization and filtration. The treated water produced by the Water Services Department meets current federal and state requirements for drinking water.

Water is pumped into the transmission system from storage reservoirs located at the primary water treatment plant, which is located on the north side of the Missouri River. The primary water transmission system is comprised of two essentially separate systems, one serving customers located north of the Missouri River and the other serving customers located south of the Missouri River. Water is delivered to the southern water transmission system through two tunnels under the Missouri River. The transmission systems include booster pumping stations and both elevated and ground level water storage reservoirs. The existing treated water storage capacity is now 128.2 million gallons. The average daily flow during Fiscal Year 2008 was 109 million gallons per day with a peak day demand of 180 million gallons, which is about 75% of the primary treatment plant's design capacity.

The Corps of Engineers plans to maintain releases from upstream reservoirs in the near future; thus, the City anticipates that the elevation of the Missouri River water surface will remain at lower than normal levels. In addition, the river bed is degrading due to flood scour and changes in sediment transport patterns, which is also contributing to the lowering of water levels in the Missouri River.

With the lowering of the Missouri River water surface, it is possible that the existing Intake Structure would not be able to take raw water out of the river this winter and pump it to the City's Water Treatment Plant. To avoid this possibility, the City has made additions and modifications to the equipment at the Intake Structure.

The City has continued to file comments on the Corps' plan and is participating in the Missouri River Recovery Implementation Committee (MRRIC) discussions for Missouri River management. The City is a member of the MO-ARK Association, a voluntary non-profit corporation which promotes flood control, navigation, irrigation, recreation, fish and wildlife, the environment, conservation and the beneficial use of land and water resources within the Missouri River Basin and the portion of the Arkansas River Basin that runs through Kansas and Missouri. MO-ARK is involved in litigation disputing the Corps' plan.

Atherton System

The Atherton System provides wholesale service to two wholesale water districts. The Atherton System consists of two wells located near the Missouri River and a small treatment plant with a rated capacity of approximately 0.6 million gallons per day. The treatment plant consists of an aerator, a solids contact unit, filters, pumps, chemical feeders, and a clearwell. The distribution system includes an underground booster pumping station and approximately 7 miles of 8-inch and 10-inch water mains.

Additional Information

The following table shows revenues generated by retail and wholesale customers of the System for the past five years.

Water Revenues by Retail and Wholesale Customers (in 1,000s)

	Fiscal Year Ended April 30,				
	2004	2005	2006	2007	2008
Retail Customers	$ 55,081	$ 53,982	$ 55,593	$ 61,267	$ 65,126
Wholesale Customers	10,964	7,771	11,391	13,122	13,125
Total	$ 66,045	$ 61,753	$ 66,984	$ 74,389	$ 78,251

The following table shows the number of System customers for the past five years.

Number of System Customers

	Fiscal Year Ended April 30,				
	2004	2005*	2006	2007**	2008
Retail Customers	146,140	136,357	136,735	136,860	137,650
Commercial/Industrial	17,042	18,267	18,277	15,170	15,354
Wholesale Customers	51	55	55	32	32
Total	163,233	154,679	155,067	152,062	153,036

Note: Numbers exclude those used to provide City services.

* Due to system conversions and related data clean-up, fiscal year 2005 numbers were calculated based on previous projections. Previous fiscal year numbers were based on the number of bills issued and were not as accurate as the updated system

** Fiscal year 2007 reflects a count of accounts in order to more closely correlate to the number of System customers, as compared to fiscal years 2005 and 2006 which were based on service connections.

Management Initiatives

The Water Services Department continues its efforts to improve operating efficiencies, customer service, and service reliability. In 2007, the Department began installation work associated with a new Automatic Meter Reading ("**AMR**") system. Installation of the AMR system is scheduled over three years. Improved accuracy, operating efficiencies, and enhanced revenue recovery will result from this undertaking.

At present, approximately 71,600 of the approximate 160,000 meters in the water system have already been affixed with AMR.

The Department will require significant capital additions to the water system to meet the infrastructure renewal and replacement needs. That consideration is on of several that caused the Department to begin developing an Asset Management Program (the "**Program**"). Beginning with the sewer utility, the Program will establish levels of service, best management practices, and an implementation plan that is aimed at minimizing the life cycle costs of the Department's assets. The Program will ultimately be expanded to include the water utility.

In response to community expectations, the Department initiated a reengineering effort to match its organizational structure and functions with changing business needs. Specifically, strategies are being developed to address succession planning, organizational structure and function, and internal delivery of capital projects. These initiatives are aimed at helping the Department achieve best of class delivery of essential services.

Security of the System

As a result of the terrorist attacks of September 11, 2001, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (commonly known as the "**Bioterrorism Act**"), was signed into law on June 12, 2002. This law requires all community water systems serving more than 3,300 people to (1) conduct a vulnerability assessment; (2) certify to the United States Environmental Protection Agency ("**USEPA**") that the vulnerability assessment was completed by a date specified in the law; (3) submit a paper copy of the assessment to USEPA; (4) prepare or revise their emergency response plan based on the results of the vulnerability assessment; and (5) certify to USEPA that the emergency response plan has been developed or revised by a certain date. The Water Services Department has focused much attention on securing the Water System. Under the requirements of the Bioterrorism Act, the City has conducted appropriate security activities and provided all required certifications to appropriate federal authorities, by the prescribed deadlines, concerning assessments and response planning. In addition, the City carries property insurance for Water Services Department property that includes the terrorism coverage referred to in the Terrorism Risk Insurance Act of 2002.

Capital Improvement Program

In January 2007, the City's Water Services Department identified a Capital Improvement Program through fiscal year 2012 which is intended to provide facilities to meet existing and anticipated federal and state water quality standards and to maintain a reliable water transmission system that can respond to changing patterns of water use throughout the City's service area. The Capital Improvement Program identifies an estimated $222 million of specific major capital improvements, which are expected to be financed primarily through a combination of annual System revenues, contributions from local sources, available fund balances and bond proceeds.

It is projected then that additional water revenue bond issues totaling $200 million will be sold during the fiscal years ended 2009 through 2012. A question to increase the water revenue bond authorization by $250 million was presented to the voters on August 2, 2005. The voters approved the additional bond authorization by nearly a three to one margin. Therefore, with the new 2005 authorization, adequate authorization is available for the $200 million of revenue bonds projected through 2012 and subsequent years, including the portion of the Series 2009A Bonds which are being issued to finance the Project. As described in this Official Statement under the caption "**AUTHORITY FOR THE SERIES 2009A BONDS AND PLAN OF FINANCE – Authority for the Series 2009A Bonds**"

Overflow Control Program

On January 30, 2009, the City's Water Services Department submitted a plan (the "**Plan**") to control overflows from the City's combined and sanitary sewer systems to the Missouri Department of Natural Resources ("**MDNR**") and the Environmental Protection Agency ("**EPA**"). Based upon the requirements of the Federal Water Pollution Control Act (as amended, the "**Clean Water Act**") and policies of the EPA, the Plan details the City's commitment to decrease the frequency of overflows from its combined and separate sanitary sewer systems. The Plan, as submitted, is estimated to cost $2.4 billion (2008 dollars) and expected to take between 25 and 33 years to complete. Failure to resolve the overflows could result in an enforcement action against the City by the Environmental Protection Agency, the Missouri Department of Natural Resources or an individual citizen.

The Plan is subject to MDNR and EPA agreement, which is expected to take between six months and one year. Further, the cost stated above is an estimation based upon the Plan as submitted and any changes required by MDNR and EPA to the Plan could result in significant cost increases. Moreover, the estimated implementation period is based upon current Plan proposals and is subject to MDNR and EPA agreement. As of the date of this Official Statement, the maximum amount of time granted by the EPA for implementation of similar plans is 20 years. Only after EPA and MDNR agree to the Plan will a financing plan be prepared, finalized and implemented. In addition, once implementation begins, there will be a substantial increase in annual expenditures for operation and maintenance. It is anticipated that the Plan will be funded primarily from the City's sewer fund. Although not currently contemplated, it is possible that portions of the Plan will be financed through City appropriations from the General Fund.

Regulatory Requirements

In General. The City's water supply operations must comply with the federal Safe Drinking Water Act, 42 USC Sec. 300f *et seq*., and its amendments, including the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The City is also subject to the federal regulations (40 CFR Part 141 *et seq*.) promulgated under the Safe Drinking Water Act and its amendments. These statutory and regulatory requirements are administered by the USEPA through the Missouri Department of Natural Resources ("**MDNR**"). Regulations of these agencies pertain to the treatment and distribution of the City's drinking water.

In addition to federal requirements, the City must comply with State of Missouri requirements. The primary State laws concerned with water supply operations are found in the Missouri Safe Drinking Water Act (Sections 640.100 - 640.140, RSMo.) The State's Public Drinking Water Program is contained in state regulations at 10 CSR 60 and is also adhered to by the City.

As a public water system, the City's water treatment facility operates under a permit from MDNR and must comply with rigorous drinking water standards. The City is in full compliance with its permit requirements.

The City has never been cited for a violation of federal or state drinking water laws and regulations. The City is in compliance with the Public Health Security and Bioterrorism Preparedness and Response Act of 2002.

Evolving Regulations. The EPA is poised to promulgate two rules under its Microbial and Disinfection Byproduct Rules: the Long Term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectants and Disinfection Byproducts Rule. The City does not anticipate any operational changes will be needed to comply with these rules.

Largest Users of the System

The following table sets forth the ten largest users of the System and the percentage of total consumption applicable to each for the fiscal year ended April 30, 2008:

User	Type of Business	Annual Consumption (100 cubic feet)	Percentage of Total Consumption
City of Lee's Summit	Wholesale Water	1,979,085	5.02%
Jackson County Public Water Supply Dist. No. 1	Wholesale Water	1,279,430	3.25
City of Belton	Wholesale Water	996,027	2.53
City of Raymore	Wholesale Water	680,215	1.73
City of Blue Springs	Wholesale Water	662,115	1.68
Raytown Water Company	Wholesale Water	619,636	1.57
Kansas City Power & Light	Utility	533,567	1.35
Ford Motor Company	Manufacturer	444,268	1.13
Public Water Dist. No. 2 of Cass County	Wholesale Water	345,298	0.88
City of Platte City	Wholesale Water	325,505	0.83

Billing Procedures and Collections

Water rates are reviewed annually by the City to determine if rate adjustments are required. Water rates are developed based on total costs of service and customer service requirements. The rate schedule for customers outside the City is designed to reimburse the City for operation and maintenance expense, depreciation expense, and to provide a reasonable rate of return on the plant investment serving these customers. Water rates were most recently increased on May 1, 2008 for Fiscal Year 2009.

Charges for water services are combined on a single bill with applicable wastewater and stormwater charges. A late payment service charge of 5% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one and two family dwellings, unpaid charges become a lien on the property if the account is six or more months delinquent, or the total amount of the delinquency is $500 or more. For all other property classifications, unpaid charges become a lien on the property if the account is three or more months delinquent, or the total amount of the delinquency is $1,000 or more. Water and wastewater service can be restored upon payment of the unpaid bills and a service restoration charge.

Rate Structure

On March 27, 2008, the City approved the following water rates, which implemented a 12% water revenue rate increase, which became effective as of May 1, 2008, with the exception of one wholesale customer whose rates increase effective June 1, 2008:

	Service Charge			
	Inside City		Outside City	
Meter Size (Inches)	Billed Monthly	Billed Bi-Monthly	Billed Monthly	Billed Bi-Monthly
5/8	$9.00	$13.36	$10.00	$14.08
3/4	$9.50	$14.70	$10.50	$15.92
1	$12.00	$19.00	$12.50	$19.60
1-1/2	$18.00	$31.82	$18.50	$32.44
2	$23.50	$43.45	$24.00	$44.10
3	$50.50	$96.50	$52.50	$101.50
4	$63.00	$122.00	$66.00	$128.00
6	$92.50	$180.50	$97.00	$189.50
8	$142.00	$280.00	$144.00	$282.00
10	$195.00	$386.00	$201.00	$399.00
12	$227.00	$451.00	$235.00	$466.00

Seasonal Off-Peak Commodity Charge
$1.51 per 100 cubic feet

Fire Protection Charge	
Connection Size (Inches)	Rate per Annum
4 or less	$72.00
6	$177.00
8	$334.00
10	$546.00
12	$818.00
16	$1,545.00

Commodity Charge					
Inside City		Outside City			
Cubic Feet	Charge / 100 Cubic Feet	Cubic Feet	Charge / 100 Cubic Feet	Wholesale	Charge / 100 Cubic Feet
First 600	$2.16	First 600	$2.25	Unrestricted	$1.45
Next 4,400	$2.40	Next 4,000	$2.50	Restricted	$1.40
Next 995,000	$2.10	Over 5,000	$2.10	1st Repump	$0.12
Over 1,000,000	$1.51			2nd Repump	$0.23

The City is not required to raise rates annually. The City makes no representation as to whether either a rate increase will be approved in any future Fiscal Years, or, if a rate increase is approved in any Fiscal Year, as to the nature and extent of any such rate increase. Nevertheless, the City's debt service coverage requirement described under the caption "**SECURITY AND SOURCE OF PAYMENT FOR THE SENIOR BONDS - Rate Covenant**" in this Official Statement will be maintained.

WATER SYSTEM FINANCIAL INFORMATION AND COVERAGE STATEMENT

Operating Revenues and Expenses

About 83% of water sales revenues are derived from charges to retail customers. The remaining water revenues are from water provided on a wholesale basis under interjurisdictional agreements with 32 surrounding cities and water districts. The total number of customers in Fiscal Year 2008 is approximately 153,000.

Operation and maintenance expenses include the cost of labor, materials, supplies and contractual services, and represent the normal everyday cost of System operation. Operation and maintenance expenses are assumed to increase slightly during Fiscal Years 2009 through 2013. The projected increases in operation and maintenance expenses take into consideration growth in the Water System and price inflation as well as the offsetting effects of staff reductions and improvements in cost efficiencies. Any further decreases due to productivity gains identified by the Competitive Business Plan will increase Net Operating Revenues and enhance the debt service coverage of the Series 2009A Bonds.

Accounting, Budgeting and Auditing Procedures

The Water Services Department is an enterprise activity whose financial records are audited annually and financial results reported in conformity with generally accepted accounting principles for governmentally owned water utilities. The Department operates the System on the accrual basis system of accounting, where revenues are recorded when earned and expenses are recorded when incurred.

An annual budget of estimated receipts and disbursements for the coming Fiscal Year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March for approval after a public hearing. The Fiscal Year of the System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from Water System revenues.

The financial records of the Water System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. For the past five years, the annual audit has been performed by KPMG, LLP, Kansas City, Missouri. Copies of the audit reports of the past five years are on file in the City Clerk's office and are available for review.

Financial Statements

The City maintains its financial records on the basis of a Fiscal Year ending April 30. Such financial statements have been examined by KPMG, LLP, Kansas City, Missouri, independent certified public accountants. The City did not ask KPMG, LLP to perform any additional work or any post-audit procedures more recently than the April 30, 2008 audit.

Beginning with the Fiscal Year ended April 30, 2003, the City has implemented the requirements of the Governmental Accounting Standards Board ("**GASB**") Statement No. 34 (*Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments*).

The tables on the following pages provide the Water Fund's balance sheets and income statements for each of the fiscal years ended April 30, 2004 through 2008 and the historical debt service coverage statement in connection with the issuance of the Series 2009A Bonds.

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CITY OF KANSAS CITY, MISSOURI WATER FUND

Statement of Net Assets

	As of Fiscal Year Ended April 30,				
	2004	2005	2006	2007	2008
Assets					
Current assets:					
Cash and short-term investments	$ 23,383,201	$ 18,157,920	$ 17,377,865	$ 16,882,978	$ 15,243,638
Accounts receivable, net	12,104,314	11,115,317	10,760,483	11,471,065	12,585,884
Accrued interest receivable	288,079	247,006	233,874	278,680	150,231
Current portion of notes receivable	-	-	179,313	275,319	291,259
Inventories	2,114,983	2,637,575	2,480,838	2,051,419	2,153,974
Prepaid expense	-	400,636	375,325	418,801	507,026
Due from other funds	890,362	1,500,036	1,037,389	197,943	937,498
Total unrestricted current assets	38,780,939	34,058,490	32,445,087	31,576,205	31,869,510
Restricted assets:					
Cash and short-term investments	14,993,215	32,664,338	49,332,235	30,777,643	57,619,529
Accrued interest receivable	87,243	388,422	703,449	502,637	564,074
Total restricted current assets	15,080,458	33,052,760	50,035,684	31,280,280	58,183,603
Total Current Assets	53,861,397	67,111,250	82,480,771	62,856,485	90,053,113
Special assessments receivable, net of allowance	321,650	397,593	281,204	183,220	73,131
Notes Receivable	5,302,528	5,168,543	4,835,404	6,953,351	6,801,602
Debt issuance costs, net	1,179,161	1,484,235	1,828,353	1,653,980	1,505,353
Capital assets, depreciable net	431,060,072	432,693,163	464,563,266	474,417,297	483,133,559
Capital assets, nondepreciable	24,451,477	37,729,407	27,538,271	47,112,930	68,856,211
Total assets	$ 516,176,285	$ 544,584,191	$ 581,527,269	$ 593,177,263	$ 650,422,969
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$ 3,341,907	$ 1,847,524	$ 3,014,240	$ 2,150,289	$ 4,615,634
Water main extensions – City Share	132,337	132,337	132,337	-	-
Compensated absences	2,249,877	2,524,022	-	-	-
Compensated absences, current portion	-	-	128,979	136,017	152,954
Accrued payroll and related expenses	955,118	1,232,667	1,200,539	1,202,914	1,645,411
Contracts and retainage payable	202,674	306,921	264,630	220,591	196,187
Other liabilities	608,477	477,655	609,815	650,037	114,064
Due to other funds	3,087,396	3,696,851	-	-	541,304
Due to other funds, current portion	-	-	2,059,264	1,382,321	1,448,311
Total current liabilities	10,577,786	10,217,977	7,409,804	5,742,169	8,713,865
Liabilities payable from restricted assets:					
Accrued interest and fiscal agent fees	2,821,577	3,055,200	3,662,058	3,135,725	2,900,730
Current portion of revenue bonds payable	10,100,000	10,600,000	11,140,000	11,945,000	12,728,329
Contracts and retainage payable	40,634	211,468	578,166	1,214,775	719,478
Customer deposits	2,102,187	1,127,308	1,284,248	1,079,877	1,169,518
Total liabilities payable from restricted assets	15,064,398	14,993,976	16,664,472	17,375,377	17,518,055
Total current liabilities	25,642,184	25,211,953	24,074,276	23,117,546	26,231,920
Compensated absences	-	-	2,369,000	2,511,547	2,795,992
Due to other funds	-	-	3,019,953	3,106,000	3,799,194
Pension liability	-	-	1,587,785	1,782,720	1,057,828
Post retirement liability	-	-	-	-	1,105,266
Revenue bonds payable	122,656,042	137,644,230	157,366,409	145,675,345	179,008,953
Total liabilities	148,298,226	162,856,183	188,417,423	176,193,158	213,999,153
Net assets:					
Invested in capital assets, net of related debt	329,791,127	347,904,690	365,924,456	386,436,712	406,638,846
Restricted	4,291,678	4,416,669	3,812,937	4,977,053	8,512,872
Unrestricted	33,795,254	29,406,649	23,372,453	25,570,340	21,272,098
Total net assets	367,878,059	381,728,008	393,109,846	416,984,105	436,423,816
Total liabilities and net assets	$ 516,176,285	$ 544,584,191	$ 581,527,269	$ 593,177,263	$ 650,422,969

CITY OF KANSAS CITY, MISSOURI WATER FUND
Statement of Revenues, Expenses and Changes in Fund Net Assets

	For Fiscal Year Ended April 30, 2004	2005	2006	2007	2008
Operating revenues:					
Water sales	$ 66,045,464	$ 61,753,054	$ 66,984,040	$ 74,389,304	$ 78,251,144
Other water revenue	3,110,268	1,420,998	1,200,295	1,408,475	1,802,063
Income from jobbing and contract work and miscellaneous revenues	5,213,476	5,293,959	3,674,677	3,713,807	3,986,649
Total operating revenues	74,369,208	68,468,011	71,859,012	79,511,586	84,039,856
Operating expenses:					
Power and pumping	4,866,224	4,015,062	4,574,845	4,851,937	5,417,959
General and electrical maintenance	1,934,447	2,215,067	2,809,195	2,871,968	3,019,538
Purification	8,855,118	9,626,152	9,894,561	10,083,236	10,971,583
Laboratory services	2,117,244	2,215,754	2,384,187	2,520,654	2,605,167
Transmission and distribution	9,158,896	6,949,935	8,535,138	10,362,196	10,242,782
Customer service	6,018,200	6,318,971	6,759,421	6,433,359	7,574,259
Mechanical maintenance	4,179,944	4,416,018	1,592,726	2,788,477	2,916,693
Customer accounting and collection	4,294,273	3,648,911	4,132,276	3,850,764	4,331,504
Administrative and general	11,448,579	11,108,115	11,939,536	12,815,929	14,278,131
Depreciation and amortization	9,332,088	10,371,231	10,502,247	9,961,277	10,181,650
Total operating expenses	62,205,013	60,885,216	63,124,132	66,539,797	71,539,266
Operating income	12,164,195	7,582,795	8,734,880	12,971,789	12,500,590
Nonoperating revenues (expenses):					
Interest income	850,227	1,808,514	2,149,540	3,243,943	2,949,674
Interest expense and fiscal agent fees	(7,201,476)	(6,236,663)	(6,354,077)	(5,863,253)	(5,998,133)
Gain (loss) on disposal of fixed assets	16,860	33,428	(16,152)	(18,732)	(27,291)
Total nonoperating revenues (expenses)	(6,334,389)	(4,394,721)	(4,220,689)	(2,638,042)	(3,075,750)
Net income before capital contributions	5,829,806	3,188,074	4,514,191	10,333,747	9,424,840
Capital contributions	6,476,044	10,661,875	6,867,647	13,540,512	10,014,871
Change in net assets	12,305,850	13,849,949	11,381,838	23,874,259	19,439,711
Total net assets – beginning of the fiscal year	355,572,209	367,878,059	381,728,008	393,109,846	416,984,105
Total net assets – end of the fiscal year	$ 367,878,059	$ 381,728,008	$ 393,109,846	$ 416,984,105	$ 436,423,816

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CITY OF KANSAS CITY, MISSOURI
WATER FUND

Historical Debt Service Coverage Calculation

	For Fiscal Year Ended April 30,				
	2004	2005	2006	2007	2008
Total revenues	$ 74,369,208	$ 68,468,011	$ 71,859,012	$ 79,511,586	$ 84,039,856
Less: Total operating expenses	62,205,013	60,885,216	63,124,132	66,539,797	71,539,266
Plus: depreciation and amortization expenses	9,332,088	10,371,231	10,502,247	9,961,277	10,181,650
Plus: principal portion of contract payments received from other governmental units	240,893	133,984	153,240	296,555	211,940
Plus: nonoperating revenues (interest income)	850,227	1,808,514	2,149,540	3,243,943	2,949,674
Net Revenues Available for Debt Service	$ 22,587,403	$ 19,896,524	$ 21,539,907	$ 26,473,564	$ 25,843,854
Current Year Debt Service	$ 16,851,114	$ 17,272,682	$ 17,947,910	$ 19,564,810	$ 19,906,343
Debt Service Coverage	1.34x	1.15x	1.20x	1.35x	1.30x

Note: See **Appendix A** "Consulting Engineers Report and Feasibility Study for projected coverage calculation for the years 2009 through 2013.

ENGINEERING AND FEASIBILITY CONSULTANT

The City has retained Burns & McDonnell to serve as the Engineering and Feasibility Consultant to the City in connection with the issuance of the Series 2009A Bonds. See **Appendix A** to this Official Statement for a copy of such consultant's report.

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DEBT SERVICE SCHEDULE

The following table sets forth for each respective fiscal year, the aggregate amount required to be made available in such fiscal year for the payment of the principal of and interest on the Bonds. The following table does not provide information on the aggregate amount of debt service paid by the City with respect to the Refunded Bonds during the fiscal year ending April 30, 2009.

Fiscal Year (Ending April 30)	Series 2009A Bonds Principal	Series 2009A Bonds Interest	Subordinate Bonds	Total Annual Debt Service
2009	$ 0.00	$ 0.00	$ 1,023,905.56	$ 1,023,905.56
2010	9,405,000.00	6,189,515.45	2,731,000.00	18,325,515.45
2011	12,045,000.00	8,415,087.50	2,824,740.00	23,284,827.50
2012	12,740,000.00	7,933,287.50	2,821,723.00	23,495,010.50
2013	11,600,000.00	7,436,437.50	2,821,143.00	21,857,580.50
2014	11,920,000.00	7,081,687.50	2,822,767.00	21,824,454.50
2015	12,490,000.00	6,604,887.50	2,821,362.00	21,916,249.50
2016	10,190,000.00	6,127,787.50	2,821,928.00	19,139,715.50
2017	10,620,000.00	5,661,337.50	2,824,232.00	19,105,569.50
2018	10,280,000.00	5,180,637.50	2,823,041.00	18,283,678.50
2019	10,250,000.00	4,691,012.50	2,818,355.00	17,759,367.50
2020	10,150,000.00	4,199,950.00	2,820,174.00	17,170,124.00
2021	10,585,000.00	3,743,600.00	2,818,032.00	17,146,632.00
2022	9,175,000.00	3,214,350.00	2,816,929.00	15,206,279.00
2023	9,515,000.00	2,847,350.00	2,816,632.00	15,178,982.00
2024	8,725,000.00	2,371,600.00	2,816,908.00	13,913,508.00
2025	6,975,000.00	1,942,225.00	2,817,524.00	11,734,749.00
2026	3,395,000.00	1,620,250.00	2,818,247.00	7,833,497.00
2027	3,555,000.00	1,458,987.50	2,813,844.00	7,827,831.50
2028	3,725,000.00	1,290,125.00	2,904,315.00	7,919,440.00
2029	3,900,000.00	1,113,187.50	0.00	5,013,187.50
2030	4,085,000.00	927,937.50	0.00	5,012,937.50
2031	4,300,000.00	713,475.00	0.00	5,013,475.00
2032	4,525,000.00	487,725.00	0.00	5,012,725.00
2033	4,765,000.00	250,162.50	0.00	5,015,162.50
Total	$ 198,915,000.00	$ 91,502,602.95	$ 54,596,801.56	$ 345,014,404.51

RISK FACTORS

Purchasers of the Series 2009A Bonds are advised of certain risk factors with respect to the payment of the principal of, premium, if any and interest on the Series 2009A Bonds, and possible revisions to federal tax laws that could affect the tax treatment of the interest on the Series 2009A Bonds. This discussion of risk factors is not intended to be exhaustive.

Factors Affecting the System

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the System operations and financial performance to an extent that cannot be determined at this time:

Changes in Management or Policies. Changes in key management personnel of the System or City Council policies.

Future Economic Conditions. Increased unemployment or other adverse economic conditions or changes in the demographics of the City; an inability to control expenses in periods of inflation and difficulties in increasing charges.

Insurance Claims. Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance.

Organized Labor Efforts. Certain employees of the City's Water Services Department are represented by collective bargaining units. Labor disputes with these collective bargaining units could result in adverse labor actions or increased labor costs.

Environmental Regulation. Water utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of water utilities are subject to change. These changes may arise from continuing legislative, regulator and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels and fines. Legislative, regulatory, administrative or enforcement actions involving environmental controls could also adversely affect the operation of the facilities of the System. For example, if property of the City is determined to be contaminated by hazardous materials, the City could be liable for significant clean-up costs even if it were not responsible for the contamination.

Natural Disasters. The occurrence of natural disasters, such as tornados, earthquakes, floods or droughts, could damage the facilities of the City, affect water supply, interrupt services or otherwise impair operations and the ability of the System to produce revenues.

Terrorist Attacks. Although potential terrorist attacks could temporarily disrupt water service, the City has taken and continues to take precautions to minimize this risk.

Availability of Water. In the event the City is unable to obtain sufficient water to treat and deliver to meet its needs or other emergency conditions occur, there is no assurance that the City will be able to maintain a source of water to supply its customers.

Miscellaneous Factors. The water supply industry in general has experienced, or may in the future experience, problems including (a) the effects of inflation on the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, such as with a particularly rainy summer, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (d) compliance with rapidly changing environmental, safety and licensing regulations and requirements.

Summary Financial Information

Certain summarized historical financial information and certain projected revenues and expenditures of the System are summarized in **Appendix A**. There can be no assurance that the financial results achieved by the City in the future will be similar to historical results or the projections contained therein. Such future results will vary from historical results, and actual variations may be material. Information as to the projected figures and the assumptions upon which they are based are contained in **Appendix A** of this Official Statement. No assurance can be given that these assumptions are accurate. Therefore, the historical operating results of the System contained in this Official Statement cannot be viewed as a representation that the City will be able to generate sufficient revenues in the future to make timely payment of principal of, redemption premium, if any, and interest on its Bonds.

Certain Bankruptcy Risks

The remedies available to the Bondowner of the Series 2009A Bonds upon an event of default under the Bond Ordinance are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code, 11 U.S.C. 10 *et seq*. (the "**Bankruptcy Code**") the remedies provided in the Bond Ordinance may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2009A Bonds will be qualified as to the enforceability of the various legal instruments by limitation imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws, affecting the rights of creditors generally.

Compliance with Securities Laws

The Series 2009A Bonds may be sold by Bondowners only in compliance with the registration provisions, or certain exemptions from the Securities Act of 1933 and applicable state securities laws (which may be prohibitively expensive if registration is required and may not be possible in any event). In some states, specific conditions must be met or approval of a state securities commissioner is required in order to qualify for an exemption from registration.

Secondary Markets and Prices

The Original Purchaser will not be obligated to repurchase any of the Series 2009A Bonds and no representation is made concerning the existence of any secondary market for the Series 2009A Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2009A Bonds, and no assurance can be given that the initial offering prices for the Series 2009A Bonds will continue for any period of time.

Bond Insurance

In the event the City fails to make payment of the principal of or interest on the Insured Bonds when the same become due, such payments are insured by the Bond Insurance Policy; however, the Bond Insurance Policy does not insure payment of the principal of or interest on the Insured Bonds coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption), unless the Bond Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration, nor does it insure the payment of any redemption premium payable upon the redemption of Insured Bonds. Under no circumstances, including the situation in which interest on the Insured Bonds becomes subject to federal or Missouri income taxation for any reason, can the maturities of the Insured Bonds be accelerated except with the consent of the Bond Insurer. Furthermore, so long as the Bond Insurer performs its obligations under the Bond Insurance Policy, the Bond Insurer may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken under the Bond Ordinance. In the event that the Bond Insurer is unable to make payments of principal of and interest on the Insured Bonds, the Insured Bonds will be payable solely from the Pledged Revenues. See the caption "**BOND INSURANCE**" in this Official Statement for further information concerning the Bond Insurer and the Bond Insurance Policy.

The Bond Insurance Policy does not provide any guarantee of payment with respect to any of the Series 2009A Bonds other than the Insured Bonds as set forth on the inside cover page of this Official Statement.

Insolvency of Bond Insurer

The obligations of the Bond Insurer under the Bond Insurance Policy are general obligations of the Bond Insurer and rank equally in priority of payment and in all other respects with all other unsecured obligations of the Bond Insurer. In the event of insolvency of the Bond Insurer, each Bondholder of Insured Bonds would have to depend entirely on the ability of the City to pay the principal of and interest on such Insured Bonds.

LITIGATION

As of the date of issuance of the Series 2009A Bonds, the City Attorney will certify that there is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2009A Bonds, or questioning or affecting the legality of the Series 2009A Bonds or the proceedings or authority under which the Series 2009A Bonds are to be issued. There is no litigation pending which in any manner questions the rights of the City to construct or finance the improvements. The City is not involved in any litigation which might affect the City's ability to meet its obligations to pay the principal of and interest on the Series 2009A Bonds.

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a fiscal year ending April 30. Set forth in **Appendix B** are the financial statements of the City's Water Fund for the fiscal year ended April 30, 2008. Such financial statements have been examined by KPMG, LLP, Kansas City, Missouri, independent certified public accountants. The City did not ask KPMG, LLP to perform any additional work or any post-audit procedures more recently than the April 30, 2008 audit with respect thereto.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Series 2009A Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, and The Martinez Law Firm, LLC, Liberty, Missouri, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by Bryan Cave LLP, Kansas City, Missouri, and Hardwick Law Firm, LLC, Kansas City, Missouri. The various legal opinions to be delivered concurrently with the delivery of the Series 2009A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or for the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. The form of such opinion is attached hereto as **Appendix E**.

Co-Bond Counsel have not participated in the preparation of this Official Statement, except for the sections of this Official Statement captioned "**TAX MATTERS**," and "**APPENDIX E: PROPOSED FORM OF CO-BOND COUNSEL OPINION**." The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and others as referred to herein and Co-Bond Counsel express no opinion as to the accuracy or sufficiency thereof except for the matters appearing in the sections referred to in this paragraph.

TAX MATTERS

Tax Opinion of Co-Bond Counsel

Federal and Missouri Tax Exemption. In the opinion of Gilmore & Bell, P.C. and The Martinez Law Firm LLC, Co-Bond Counsel, under existing law, the interest on the Series 2009A Bonds is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Series 2009A Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the Series 2009A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2009A Bonds. The Series 2009A Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Original Issue Discount Bonds. In the opinion of Co-Bond Counsel, subject to the conditions set forth above, the original issue discount in the selling price of the Series 2009A Bonds (hereinafter referred to as the "**OID Bonds**"), if any, to the extent properly allocable to each owner of a Bond, is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding underwriter(s) and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the proposed original issue discount federal regulations will require them to include, for State and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Original Issue Premium Bonds. The excess of the purchase price of the Series 2009A Bonds sold over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the amount of tax-exempt interest deemed received by the purchaser and the purchaser's basis in such Bond each are reduced by a corresponding amount. The adjustment to a purchaser's tax basis will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or afterward, should consult with their own tax advisors as to the determination and treatment of premium for federal income tax purposes and state and local tax consequences of owning such Bonds.

No Other Opinions. Co-Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2009A Bonds.

Other Tax Consequences. Prospective purchasers of the Series 2009A Bonds should be aware that there may be tax consequences of purchasing the Series 2009A Bonds other than those discussed under the caption "Tax Opinion of Co-Bond Counsel," including the following:

(1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2009A Bonds or, in the case of a financial institution

(within the meaning of Section 265(b)(5) of the Code), that portion of such institution's interest expense allocable to interest on the Series 2009A Bonds;

(2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2009A Bonds;

(3) for taxable years beginning before January 1, 1996, interest on the Series 2009A Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code;

(4) interest on the Series 2009A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code;

(5) passive investment income, including interest on the Series 2009A Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such a Subchapter S corporation is passive investment income;

(6) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2009A Bonds.

Co-Bond Counsel expresses no opinion regarding these tax consequences.

BOND RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and Moody's Investors Service are expected to assign long-term ratings of "AAA" and "Aaa", respectively, to the Insured Bonds only based on the issuance of the Bond Insurance Policy by the Bond Insurer.

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Moody's Investors Service have assigned long-term ratings of "AA+" and "A1," respectively, to the Series 2009A Bonds, without any regard to the issuance of the Bond Insurance Policy applicable to the Insured Bonds.

Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that either or both will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse affect on the market price of the Series 2009A Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Bondowners to send certain financial information and operating data to certain information repositories annually and to provide notice to such information repositories or the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule l5c2-12, as amended (the "**Rule**"). See **Appendix F** to this Official Statement for the form of the Continuing Disclosure Undertaking.

To the best of its knowledge, the City has never failed to comply in any material respect with any prior undertaking with regard to the Rule to provide annual reports or notices of material events. A failure by the City to comply with such undertaking will not constitute a default on the Series 2009A Bonds (although

Bond owners will have any available remedy at law or in equity). Nevertheless, a failure to provide annual reports must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2009A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2009A Bonds and their market price.

CO-FINANCIAL ADVISORS

Public Financial Management and TKG & Associates were retained by the City to act as Co-Financial Advisors in connection with this financing. The fees paid to the Financial Advisors with respect to the sale of the Series 2009A Bonds is contingent upon the issuance and delivery of the Series 2009A Bonds. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Series 2009A Bonds are being purchased for reoffering by the Underwriters listed on the cover page hereof. The Underwriters have agreed to purchase the Series 2009A Bonds at a purchase price of $207,340,600.37 (which is equal to the aggregate principal amount of the Series 2009A Bonds, plus net offering premium of $9,351,609.40 and less an underwriters' discount of $926,009.03) pursuant to a Bond Purchase Agreement between the City and the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2009A Bonds if any are purchased. The City, to the extent permitted by law, has agreed under the Bond Purchase Agreement to indemnify the Underwriters against certain liabilities.

The Underwriters may offer and sell Bonds to certain dealers, including dealers depositing Bonds into investment trusts and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

On September 15, 2008, Merrill Lynch & Co., Inc., entered into a merger agreement with Bank of America. This merger was consummated on January 1, 2009 when a wholly owned subsidiary of Bank of America was merged with and into Merrill Lynch & Co., Inc. with Merrill Lynch & Co., Inc. continuing as the surviving corporation and as a wholly owned subsidiary of Bank of America. Banc of America Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are affiliated broker dealers and are under common control of Bank of America. It is anticipated that at some point the business of Bank of America and Merrill Lynch will be combined.

CERTAIN RELATIONSHIPS

Gilmore & Bell, P.C. and The Martinez Law Firm, LLC are serving as Co-Bond Counsel in connection with the issuance and sale of the Series 2009A Bonds. Such firms also represent certain of the Underwriters with respect to other matters.

Bryan Cave LLP and Hardwick Law Firm, LLC are serving as co-counsel to the Underwriters in connection with the issuance and sale of the Series 2009A Bonds. Such firms also represent the City with respect to certain other matters.

MISCELLANEOUS

Except for the information expressly attributed to other sources, all information has been provided by the City. The presentation of information in this Official Statement, including tables or receipts of various taxes, is intended to show recent historic information, but is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience as might be shown by such financial or other information, will necessarily continue or be repeated in the future. The Appendices to this Official Statement contain selected financial data relating to the City and are integral parts of this document, to be read in their entirety. Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City and other sources, as referred to herein, which are believed to be reliable. Any statements made in the Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Series 2009A Bonds and the Bond Ordinance do not purport to be complete and reference is made to such documents for full and complete statements of their respective provisions.

Simultaneously with the delivery of the Series 2009A Bonds, the Director of Finance of the City, acting on behalf of the City, will furnish to the Purchaser a certificate which will state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Series 2009A Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstance under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Purchaser, has been approved by the City. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Series 2009A Bonds other than those either expressly or by fair implication imposed on the City by the Bond Ordinance.

This Official Statement is not to be construed as a contract or agreement between the City and purchasers or Owners of any of the Series 2009A Bonds.

CITY OF KANSAS CITY, MISSOURI

By: /s/ Jeffrey A. Yates
Director of Finance and
Chief Financial Officer

APPENDIX A

CONSULTING ENGINEER'S REPORT AND FEASIBILITY STUDY

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February 26, 2009

Mr. Roger Lehr
Water Services Department
City of Kansas City, Missouri
4800 East 63rd Street
Kansas City, Missouri 64130

Dear Mr. Lehr:

In accordance with our agreement with the City of Kansas City, Missouri (City), Burns & McDonnell submits this Water Utility Bond Feasibility Report. This report has been prepared in connection with the issuance of $198,915,000 Water Refunding and Improvement Revenue Bonds (the Bonds), Series 2009A. The purpose of this report is to present the findings concerning debt service coverage requirements for the issuance of bonds as described in the bond ordinance.

In conducting our studies, Burns & McDonnell has made such investigations and review of the facilities, books, records, and capital improvement programs of the Water Services Department (the Department) and other investigations, as we deemed necessary. Revenues and revenue requirements for the Department's Water System are presented in this report for a historical five-year period. This report concludes with a summary of our major opinions regarding the Water System.

The City and the Department have provided historical data presented in this report and the comprehensive annual financial reports prepared for the City. Burns & McDonnell reviewed and discussed these data with the Department. Burns & McDonnell has prepared a forecast of revenues and revenue requirements for the Water System with input from the City and from Public Financial Management and TKG & Associates, the City's co-financial advisors for the Bonds. Burns & McDonnell has also prepared a forecast of expected revenue bond debt service coverage. In preparing our forecasts and in forming an opinion of the forecasts of future operations summarized in this report, Burns & McDonnell has made certain assumptions with respect to conditions, events, and circumstances that may occur in the future. Such assumptions and methodologies are summarized in this letter and are reasonable and appropriate for the purpose for which they are used. While Burns & McDonnell believes the assumptions are reasonable and the methodology valid, actual results may differ materially from those forecast, as influenced by the conditions, events, and circumstances that actually occur. The methodology utilized by Burns & McDonnell in performing the analyses follows generally accepted practices for such forecasts.

As a result of our investigations and analysis of the Department's facilities and records and based upon our continuing studies of Water System operations, Burns & McDonnell is of the opinion that:

1. The Department's Water System properties are and have been maintained, preserved, and kept in good working order and condition, and the Department makes, as necessary, proper repairs, replacements, and renewals.
2. The assumptions used in preparing the projections and estimates used in our analysis are reasonable. The forecast of debt service coverage is also reasonable.

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3. Projected operating results are reasonably attainable by the Department.

Based on the financial projections included herein, the requirements for issuance of additional bonds have been met.

SYSTEM DESCRIPTION

The Department is responsible for obtaining, purifying, and delivering potable water for domestic, commercial, and industrial use and for fire protection within the City and surrounding areas.

Primary Water System

The primary Water System includes a 240 million gallon per day treatment plant, four major pump stations, 14 repumping stations, numerous water storage facilities, and about 2,700 miles of water mains. Treated water service is provided to approximately 153,000 retail customers inside and outside the City and 32 active wholesale customers. There are also connections with the transmission systems of six other regional water suppliers that can be activated in case of an emergency.

The City obtains its raw water for the primary Water System from a combination of surface and ground water sources. Surface water comes from the Missouri River and accounts for approximately 80 percent of the raw water. Ground water comes from a well field in the Missouri River aquifer and accounts for the remaining 20 percent of raw water. Water treatment is a four-step process that consists of clarification, softening, stabilization and filtration. The treated water produced by the Department surpasses current federal and state requirements for drinking water.

Water is pumped into the transmission system from storage reservoirs located at the primary water treatment plant, which is located on the north side of the Missouri River. The primary water transmission system is comprised of two essentially separate systems, one serving customers located north of the Missouri River and the other serving customers located south of the Missouri River. Water is delivered to the southern water transmission system through two tunnels under the Missouri River. The transmission systems include booster pumping stations and both elevated and ground level water storage reservoirs. The existing treated water storage capacity is now 128.2 million gallons. The average daily flow during Fiscal Year 2008 was 109.9 million gallons per day with a peak day demand of 180 million gallons, which is about 75 percent of the primary treatment plant's design capacity.

Depending on rainfall in the upper Missouri River watershed, releases from upstream reservoirs to the river can be decreased thereby lowering the elevation of the Missouri River at the water intake structure. In addition, the river bed is degrading due to flood scour and changes in sediment transport patterns, which exacerbates lower river levels.

With the lowering of the Missouri River water surface, it is possible that the existing intake structure would not be able to take raw water out of the river and pump it to the City's Water Treatment Plant. To avoid this possibility, the City has made additions and modifications to the equipment at the intake structure.

Atherton Water System

The Atherton Water System provides wholesale service to two wholesale water districts. The Atherton System consists of two wells located near the Missouri River and a small treatment plant with a rated capacity of approximately 0.6 million gallons per day. The treatment plant consists of an aerator, a solids contact unit, filters, pumps, chemical feeders, and a clearwell. The distribution system includes an underground booster pumping station and approximately 7 miles of 8-inch and 10-inch water mains.

System Inspections

On September 24, 2007, Mr. Ted Kelly and Mr. Adam Young completed a walk through inspection of the Briarcliff Water Treatment Plant (WTP). Mr. John Reddy provided information pertaining to the plant operation and maintenance and led the inspection tour.

Construction of the 240 MGD Briarcliff water treatment plant began in 1925. The WTP utilizes conventional presedimentation, excess-lime softening and granular media filtration to remove raw water turbidity and hardness. Free chlorine and chloramines are used for disinfection.

The original plant included four treatment trains (basins 1 through 4) which feed two filters (gallery A and C). The plant facility has been expanded and upgraded several times since start-up operation in 1928. Currently, there are six treatment trains which feed three filter galleries.

Raw water is delivered to the primary basins for chemical addition, mixing and settling. Settled water from the primary basins is conveyed to the secondary basins for chemical addition, flocculation and settling. Settled water from the secondary basins is conveyed to the final basins for settling and pH adjustment. The original four final basins are typically drained and the sludge manually removed twice per year. The two more updated final basins have automated sludge collection equipment. Final basin settled water flows to three separate filter galleries referred to as A, B and C. Filter gallery C was upgraded in the past five years. Filter galleries A and B are scheduled to be upgraded over the next several years as monies become available through the issuance of bonds.

Overall, the facilities are regularly maintained in a manner that is appropriate. During the walk through inspection, cleaning of key facilities was observed. The facilities are generally in good condition but some areas are showing signs of wear from use and age. On-going maintenance and rehabilitation is evidenced by the upgrade of filter gallery C and the replacement of concrete and guardrails along many portions of the exterior facilities.

On October 2 and 3, 2007, the following pump stations and reservoirs were visited by Ms. Donna Mosley accompanied by Mr. John Reddy. Mr. Kelly was also on site for the first two facilities described below. The condition of the facilities visited is described in the following paragraphs.

1. Turkey Creek Pumping Station and Reservoir - The Turkey Creek facility was constructed in the early 1950's and is the second largest water works facility after the Water Treatment Plant. The property is secured with chain-link fencing and a padlock gate. There are four substations with four power sources. Constructed of red brick and

mortar, the building is generally in good condition; however, some exterior concrete needs replacement. The 20 million gallon (MG) lower reservoir was rehabilitated in 2004 with the addition of a meandering divider wall to promote water turn over. There are seven pumping units. One original motor, four replaced with variable frequency drives (VFDs) and two synchronous motors. On-going maintenance is evidenced by the current pump replacement, installation of VFDs and switchgear controls in 2001, the control room replaced with SCADA, and installation of back-up generators in the past year. Back-up generators are capable of running two pumps for 3-4 days if necessary in event of emergencies. Future work for the facility will include replacement of deteriorating butterfly valves and ball valves and construction of a brick wall to protect the exterior transformers for the VFDs located in the front of the building. Based on the visual inspection, the facility is in good condition.

2. Waldo Pump Station and Reservoir - The Waldo facility was constructed in the mid 1950's, and is secured with black wrought-iron fence and a padlock gate. There is a substation with two power sources of which one power line was recently replaced. The red brick building is well maintained. There are five pumping units of which three are original, one unit replaced in 1988, and one out-of-service unit in need of replacement. One original pump is heavily corroded due to condensation. The discharge header and suction header rooms are in good condition and maintained. On-going maintenance includes the draining of the 10 MG reservoir in 2007 and the recent replacement of a portion of the front sidewalk. The Waldo Pump Station facility was originally scheduled for refurbishment 2-3 years ago and is currently waiting for available funding. Based on the visual inspection, the facility is in good condition.

3. Prospect Booster - The Prospect facility was constructed in 1987 adjacent to the City of Grandview's 5 MG ground level reservoir. The property is secured with chain-link fencing and a padlock gate. There is one electric power source and natural gas is used for emergency backup. Constructed of red brick and mortar, the building is in excellent condition and includes an overhead door for truck access. There are three pumping units and one available for future. On-going maintenance is evidenced by the mowed grounds and clean facility. Based on the visual inspection, the facility is in good condition.

4. Richards-Gebaur Pump Station and Reservoir - The Richards-Gebaur facility was constructed in the early 1940's. There is one electric power source and natural gas is used for emergency backup. The pump station is a concrete block building in need of painting. There are four pumping units of which three are 250 HP and one 40 HP. The motor for one of the large units has been replaced. All pumps and valves were scraped and painted. Based on the visual inspection, the facility is in good condition.

5. Highway 150 Reservoir - The Highway 150 facility was constructed in 1990. The 0.5 MG elevated steel storage tank is 125 feet in height and cathodically protected. The deteriorating asphalt drive adjacent to the "water salesman" needs to be replaced with concrete. The tank was drained and cleaned this year. The below grade control pit is moist with condensation on the walls and wet floors. The existing 16-inch check valve and the altitude valve appear to be fine but the altitude valve controls are in the process of being updated. Based on the visual inspection, the facility is in good condition.

6. High Grove Booster - The High Grove facility was constructed in 1986. The property is secured with chain-link fencing and a padlock gate. There is one electric power source and natural gas is used for emergency backup. Constructed of red brick and mortar, the building is in good condition. There are two pumping units, with one new pump and the other to be replaced with a larger capacity. On-going maintenance is evidenced by the new pump waiting to be installed and a clean facility. Based on the visual inspection, the facility is in good condition.

7. Ruskin Pumping Station and Reservoir - The Ruskin pump station and reservoirs were constructed in 1973 and 1975, respectively. The facility is secured with a chain-link fence and a padlock gate. The 400,000 gallon elevated steel storage tank was lowered 30 feet to allow for complete filling. The 5 MG concrete ground storage tank with 43-foot sidewalls has minor wall seepage and needs painting. The red brick building pumping station also houses the pipeline inspections group and is fairly well maintained. There are three pumping units which all run during peak demands. On-going maintenance includes the draining and cleaning of both reservoirs in 2007. Based on the visual inspection, the facility is in good condition.

8. Blue Ridge Pump Station and Reservoir - The Blue Ridge pump station and reservoir were constructed in 1963 and 1968, respectively. The facility is secured with chain-link fence and a padlock gate. The 10 MG prestressed concrete reservoir with 20-foot sidewalls had the roof replaced. The pump station facility with six pumping units is currently undergoing rehabilitation in two phases. Phase 1 included replacement of switchgear for all pumps in 2007. Phase 2 will include installation of additional security fencing and landscape work to correct property drainage. On-going maintenance is evidenced by the new pump control panels, new switchgear and overall cleanliness of the pump station facility. Based on the visual inspection, the facility is in good condition.

9. Scenic Drive Pumping Station - The Scenic Drive facility was constructed in 1985. The property is secured with chain-link fencing and a padlock gate. The steel frame Butler building is in good condition. There are two pumping units with V-12 turbo charge engines which run on natural gas. One engine is newer and the other needs to be overhauled which is scheduled this winter. The pump units appear to be well-maintained. Based on the visual inspection, the facility is in good condition.

10. Raytown Road Pumping Station - The Raytown Road facility was constructed in 1930 and is located in the floodplain. The facility has one power source, and is scheduled to be completely rebuilt in five years. The 6 MG pump station building is constructed of wood with a steel door installed after the 1993 flood. There is one pumping unit which was elevated on a concrete stand to avoid flooding problems. The leaking pump check valve is scheduled to be replaced with a ball valve currently on order. The pump and piping is deteriorating with rust. Based on the visual inspection, the facility is in poor condition.

11. East Bottoms Pumping Station and Reservoir - The East Bottoms Pumping Station was put into service in 1922 and is the third largest water works facility. The facility was formerly a manned station, converted to remote operation in the 1960's and controlled by

SCADA in 1999. The property is secured with chain-link fencing and a padlock gate. The gate house is constructed of red brick and mortar and appears to be in fair condition; however, the interior ceiling has exposed concrete rebar. Several of the sluice gates are not operational and the gate valves need to be replaced. In addition, the building contains old equipment covered in dust. The pump station is constructed of red brick and mortar and appears to be in good condition. The facility receives two power sources. There are four 2100 HP pumping units. Two were original installations, one installed in the mid 1930's and one installed in the late 1960's. The discharge header room has exposed rebar on the concrete ceiling and deterioration of the concrete floor due to standing water. The piping and valves in the suction and discharge headers show varying stages of rust deterioration. The sump pump room shows evidence of flooding with rusted valves and piping. On-going maintenance is evidenced by the current work to repair the motor rings on one of the original pumps, and an overall cleanliness of the pump station facility. Future work for the facility will include major upgrades of new pumps, changes in header piping, replacement of valves, and installation of switchgear. Based on the visual inspection, the overall facility is in good condition.

12. East Tank (Worlds of Fun) - The East Tank facility was constructed in 1955. The 2 MG elevated steel storage tank is cathodically protected. The tank was drained and cleaned this year, and will need to be repainted in the near future. The property is secured with chain-link fencing and a padlocked gate. The control vault building is constructed of red brick and appears to be in good condition. The vault's exterior concrete roof will need to be repaired and resealed. Based on the visual inspection, the facility is in good condition.

13. North Oak Reservoir - The North Oak facility was constructed in 1990. The 2 MG elevated steel fluted tank is 85 feet in height and cathodically protected. Future plans include fencing around the tank. The tank was drained and cleaned this year. The tank interior has rock/gravel base flooring. A small portion of this area is used to store equipment, materials, and two segments of large diameter prestressed concrete cylinder pipe. The valve control room was dry and clean. Based on the visual inspection, the facility is in good condition.

14. KCI Pumping Station and Reservoir - The KCI facility was constructed in 1970. The facility is secured with chain-link fence and a padlock gate. The two 1.5 MG steel ground storage reservoirs tanks were drained and cleaned this year. In addition, the tank altitude valves were replaced to reduce maintenance problems. The red brick and mortar pump station facility with solar roofs contains four pumping units. Two pumps were originally from the 1950 airport fire protection system, and one pump has a gas powered motor. On-going maintenance is evidenced by the cleanliness of interior and exterior of the facility. Based on the visual inspection, the facility is in good condition.

15. Waukomis Pump Station - Situated in a residential area, the Waukomis facility was constructed in 1954. The property is secured with chain-link fencing and a padlock gate. The red brick building has glass block windows, and currently has one power source. There are four pumping units split case style turned on their side with the motor on top to reduce the building footprint. Consequently, the leaking pumps have rusted along with the associated piping. Two pumps are not capable of running concurrently. The facility

is currently under design for future upgrades including new pumps with VFDs, air conditioning units, piping, and a secondary source power. Based on the visual inspection, the facility is in good condition.

16. Arrowhead Pumping Station and Reservoir - The Arrowhead facility was put into service in 1997 and secured with chain-link fence and an electronic gate. Standing at 130 feet in height, the 6.8 MG standpipe steel tank was drained this year. The property includes an area for a future tank. The pump station is a white concrete building with glass block windows. A large generator in a semi-trailer used for emergencies is stored in the pump station facility. Currently there are five (350 horsepower) pumping units and one bay for future expansion. Three pumps are electric and two are natural gas powered. The suction and discharge piping is a loop header design. Based on the visual inspection, this relatively new facility is in excellent condition.

UTILITY ORGANIZATION

The Department is comprised of three utilities - water, sewer, and storm water, each with separate funding accounts. As a general statement pertaining to the Water System, Burns & McDonnell found the Department to be well-run, to respond cooperatively to requirements for improved efficiencies and services, to have developed resources for future requirements, and to operate in a businesslike manner. The Department's organization structure is sound and personnel are well prepared to keep the water system operating in a reliable manner.

FINANCIAL FEASIBILITY FOR THE BONDS

The historical financial data used in the analyses presented herein were obtained from the financial records of the City. The City's financial records are audited annually.

CURRENT WATER RATES

The current water rate schedule is based on a service charge/commodity charge rate structure. The service charge is based on meter size and the commodity charge is based on a four-step block rate schedule. The current water rate schedule effective May 1, 2008 based on Water Rates Ordinance No. 080259 is shown in the table below.

EXISTING WATER RATE SCHEDULE
EFFECTIVE MAY 1, 2008

	Service Charge			
	Inside City		Outside City	
Meter Size (Inches)	Billed Monthly	Billed Bi-Monthly	Billed Monthly	Billed Bi-Monthly
5/8	$9.00	$13.36	$10.00	$14.08
3/4	$9.50	$14.70	$10.50	$15.92
1	$12.00	$19.00	$12.50	$19.60
1-1/2	$18.00	$31.82	$18.50	$32.44
2	$23.50	$43.45	$24.00	$44.10
3	$50.50	$96.50	$52.50	$101.50
4	$63.00	$122.00	$66.00	$128.00
6	$92.50	$180.50	$97.00	$189.50
8	$142.00	$280.00	$144.00	$282.00
10	$195.00	$386.00	$201.00	$399.00
12	$227.00	$451.00	$235.00	$466.00

Seasonal Off-Peak Commodity Charge
$1.51 per 100 cubic feet

Fire Protection Charge

Connection Size (Inches)	Rate per Annum
4 or less	$72.00
6	$177.00
8	$334.00
10	$546.00
12	$818.00
16	$1,545.00

Commodity Charge

Inside City		Outside City			
Cubic Feet	Charge / 100 Cubic Feet	Cubic Feet	Charge / 100 Cubic Feet	Wholesale	Charge / 100 Cubic Feet
First 600	$2.16	First 600	$2.25	Unrestricted	$1.45
Next 4,400	$2.40	Next 4,400	$2.50	Restricted	$1.40
Next 995,000	$2.10	Over 5,000	$2.10	1st Repump	$0.12
Over 1,000,000	$1.51			2nd Repump	$0.23

OPERATING REVENUES

Operating revenue of the Water System is derived from water sales and miscellaneous revenues. During the past few years the Water System has experienced low to no growth in the number of customers served. Projections for future years are based on no to low volume or customer growth. Annual operating revenues for the historical period 2004 through 2008 are shown in Table 1. Total operating revenue was $74,369,208 in 2004, $68,468,011 in 2005, $71,859,012 in 2006, $79,511,586 in 2007, and $84,039,856 in 2008.

Projected operating revenues are shown in Table 2. Projected operating revenues for the Water System are expected to range from $83,414,900 in 2009 to $121,277,800 in 2013. The projected 2010 through 2013 revenues reflect actual rate increases implemented for FY 2009 and as projected for FY 2010 through FY 2013. Projected rate increases are preliminary and subject to change. All future rate adjustments are subject to the review and approval of the City Council.

FY 2009	12%
FY 2010	10%
FY 2011	10%
FY 2012	10%
FY 2013	10%

OPERATION AND MAINTENANCE EXPENSES

Annual operation and maintenance expenses of the Water System for the historical period covered by this report are shown in Table 1. These expenses consist of power and pumping, general and electric maintenance, purification, laboratory services, transmission and distribution, customer service, mechanical maintenance, customer accounting and collection, administrative and general, administrative fees, and automated meter reading expense reduction. The water utility's total operation and maintenance expenses for the historical period were $52,872,925 in 2004, $50,513,985 in 2005, $52,621,885 in 2006, $56,578,520 in 2007, and $61,357,616 in 2008.

The Water System's projected operation and maintenance expenses for the period 2009 through 2013 are presented in Table 2. Total operation and maintenance expenses are expected to increase from $63,464,400 in 2009 to $71,744,000 in 2013. Annual operation and maintenance expenses shown in Table 2 do not include depreciation and amortization expense.

OPERATING AND RENEWAL AND REPLACEMENT RESERVES

In April 2008, the Department developed a Statement of Policy for Operating and Renewal and Replacement Reserves (Reserve Policy), which was reviewed by the City Council and was adopted on August 14, 2008 along with the master ordinance associated with the Bond issuance. The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Water System are as follows:

- Operating Reserves has been established in an amount equal to 25 percent of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and

- A Renewal and Replacement Reserve has been established in an amount equal to the prior year's annual depreciation. Minimum annual contributions of $1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

PURPOSE OF THE BONDS

It is common utility practice to finance all or part of the cost of major capital improvements and acquisitions through the sale of bonds. The Bonds are being issued to provide funds to finance all or a portion of the costs of water improvements, to provide a debt service reserve and to pay the expenses of issuing the Bonds.

In 2007, the Department identified a capital improvement program (CIP) through fiscal year 2012. This CIP is intended to provide facilities to meet existing and anticipated federal and state water quality standards and to maintain a reliable water treatment and transmission system that can respond to changing patterns of water use throughout the City's service area. The CIP identifies an estimated $222 million of specific major capital improvements for the forecast period, which are expected to be financed primarily through a combination of annual revenues, contributions from local sources, available fund balances, and bond proceeds.

Major items to be covered through the issuance of the Bonds include the following:

Arrowhead TM (MCI Realignment)

North Secondary Auxiliary Pump Station

C-106 SMR N Topping Ave to Randolph Rd, NE 48th St to NE 56th St

Rehabilitation of Filter Gallery B

East Bottoms Pump Station Improvements

Water Treatment Plant Improvements

Waterline Relocations - N. Brighton Ave (NE 58th St. to Pleasant Valley Rd)

SMR J-13 Stateline/Wornall to 92nd-99th w/ 89th St and Wornall 6"/8" main replacements

Waldo Pump Station Pump Replacement & Electrical Improvements

Waukomis Pump Station Improvements

MoDOT Widening M150 Rt 71 to 291 Hwy, Ph 2 (Deferred portion of project)

WTP West Header and Valves at Secondary

Replace Switchgear at Secondary Pump Station, Ph. 1

SMR C-86 N. Jackson / N. Topping to NE 56th-48th

SMR J-131 Oakland to Blue Ridge Blvd

PROVISIONS FOR ISSUANCE OF ADDITIONAL BONDS

The Bond Ordinance authorizing the Bonds sets forth requirements for issuance of additional bonds. The requirements include, among other things either:

- A report by a Consulting Engineer or an Independent Certified Public Accountant certifying that historical Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, for the most recent available annual audit for the fiscal year prior to the issuance of the proposed Senior Bonds were equal to at least 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be outstanding immediately after the issuance of the proposed Senior Bonds and 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Senior Bonds, or

- A report by a Consulting Engineer or an Independent Certified Public Accountant certifying that the forecasted Net Operating Revenues for each fiscal year in the forecast period are expected to equal at least 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be outstanding immediately after the issuance of the proposed Senior Bonds and 115% of the Maximum Annual

Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Senior Bonds.

The report that is required by the first provision above may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System. Such pro forma adjustments are based upon a report of the Consulting Engineer as to the amount of Operating Revenues which would have been received during such period had the new rate schedule been in effect throughout the period.

The report that is required by the second provision above may not take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the City Council.

Net Operating Revenues used in the required report are defined in the Bond Ordinance.

Table 3 presents the cashflow and revenue bond debt service coverage ratio. The net revenues available for coverage based on the total debt service are projected to be adequate throughout the study period. The annual coverage ratio of net revenues to total annual debt service is shown in Table 3. This coverage is adequate throughout the period with the lowest coverage forecast to be 111 percent in 2009.

ASSUMPTIONS

The following assumptions were used in conducting our investigations and preparing the detailed analysis that is summarized in this Water Utility Bond Feasibility Report. It is our opinion that these assumptions are reasonable.

1. Projections of sales volumes have been made based upon an analysis of historical trends and review of anticipated local growth patterns. Projections for future years are based on no to low volume growth.
2. Projected revenues are based on the current schedule of rates approved by the City which became effective May 1, 2008, and expected rate increases, to be implemented during the forecast period.
3. Projections of future operation and maintenance expenses are based on analyses of historical operating data, modified to recognize current and anticipated operating conditions and trends. Operation and maintenance expenses of the total Water System are projected to increase due to the combined effects of inflation and, to a lesser degree, increased material requirements to meet increasing customer service demands.
4. Debt service on the Bonds is based on a $198,915,000 issue amount and has been provided by Public Financial Management and TKG & Associates, the City's co-financial advisors.
5. The projections of water sales of the existing Water System will be similar to those experienced in the period 2004 to 2008. Significant variation in weather conditions

and in economic and demographic conditions may affect the actual results. No such effects have been assumed for the projections or analyses presented in this report.

6. As provided by the City's Bond Ordinance, the Department will at all times fix, establish, maintain, and collect rates sufficient to provide for the payment of the expenses of operation, maintenance, and repair and to pay any bonds and interest outstanding and to apply the revenue in conformity with the Bond Ordinance.

OPINIONS

As a result of our investigations and analysis of the Department's facilities and records, the reviews, studies, and analyses we have outlined above, and based upon our continuing studies of Water System operations, it is our opinion that:

1. The Department's Water System properties are and have been maintained, preserved, and kept in good working order and condition, and the Department makes, as necessary, proper repairs, replacements, and renewals.
2. The assumptions used in preparing the projections and estimates used in our analysis are reasonable. The forecast of debt service coverage is also reasonable.
3. Projected operating results are reasonably attainable by the Department.

Based on the financial projections included herein, the requirements in the Bond Ordinance for issuance of Senior Bonds have been met.

BURNS & MCDONNELL QUALIFICATIONS

Burns & McDonnell has specialized in providing engineering, operations, and financial consulting services to water, wastewater, electric, and gas utilities throughout its history of over 100 years. With over 2,900 employee-owners, consisting of experts from all engineering disciplines and business functions, Burns & McDonnell offers a comprehensive package of experience and skills for performing rate and financial analyses, feasibility studies, and negotiation services. In addition, the firm has extensive experience in assisting utilities with the issuance of debt and with management and financial aspects of their operations.

Sincerely,

BURNS & MCDONNELL

Ted J. Kelly
Principal, Business & Technology Services

Sara K. Worrall
Senior Project Analyst, Business & Technology Services

Table 1

HISTORICAL CUSTOMERS, SALES, REVENUES AND EXPENSES
Water Services Department
City of Kansas City, Missouri

	2004	2005	2006	2007	2008
Water Customers [1]:					
Residential	146,140	136,357	136,735	136,860	137,650
Commercial/Industrial	17,042	18,267	18,277	15,170	15,354
Wholesale	51	55	55	32	32
Total Water Customers	163,233	154,679	155,067	152,062	153,036
Water Sales Volumes (ccf):					
Inside City	29,911,620	28,504,393	28,596,170	29,694,149	29,042,777
Outside City	1,047,364	962,074	770,407	756,870	953,342
Wholesale	9,366,787	7,953,002	9,394,640	10,181,978	9,394,991
Fire Protection	2,359	2,298	2,328	2,358	2,388
Total Water Sales Volumes	40,328,130	37,421,767	38,763,545	40,635,355	39,393,498
Operating Revenues ($):					
Water Sales Revenues	66,045,464	61,753,054	66,984,040	74,389,304	78,251,144
Other Water Revenues	3,110,268	1,420,998	1,200,295	1,408,475	1,802,063
Jobbing, Contract & Miscellaneous Revenues	5,213,476	5,293,959	3,674,677	3,713,807	3,986,649
Total Operating Revenues	74,369,208	68,468,011	71,859,012	79,511,586	84,039,856
Operation and Maintenance Expenses ($):					
Power & Pumping	4,866,224	4,015,062	4,574,845	4,851,937	5,417,959
General & Electric Maintenance	1,934,447	2,215,067	2,809,195	2,871,968	3,019,538
Purification	8,855,118	9,626,152	9,894,561	10,083,236	10,971,583
Laboratory Services	2,117,244	2,215,754	2,384,187	2,520,654	2,605,167
Transmission & Distribution	9,158,896	6,949,935	8,535,138	10,362,196	10,242,782
Customer Service	6,018,200	6,318,971	6,759,421	6,433,359	7,574,259
Mechanical Maintenance	4,179,944	4,416,018	1,592,726	2,788,477	2,916,693
Customer Accounting & Collection	4,294,273	3,648,911	4,132,276	3,850,764	4,331,504
Administrative & General	8,192,302	7,839,895	8,196,349	8,808,635	9,165,571
Administration Fees	3,256,277	3,268,220	3,743,187	4,007,294	4,007,294
OPEB					1,105,266
Total O&M Expenses	52,872,925	50,513,985	52,621,885	56,578,520	61,357,616

[1] The customer decrease in FY 2005 is due to the implementation of a new billing system.

Table 2

PROJECTED CUSTOMERS, SALES, REVENUES AND EXPENSES
Water Services Department
City of Kansas City, Missouri

	2009	2010	2011	2012	2013
Water Customers:					
Residential	137,650	137,650	137,650	137,650	137,650
Commercial/Industrial	15,354	15,354	15,354	15,354	15,354
Wholesale	32	32	32	32	32
Total Water Customers	153,036	153,036	153,036	153,036	153,036
Water Sales Volumes (ccf):					
Inside City	26,161,000	28,399,700	28,378,700	28,335,300	28,063,500
Outside City	957,400	880,000	863,600	882,300	907,300
Wholesale	7,671,100	8,919,100	9,112,400	9,055,900	8,830,700
Fire Protection	2,400	2,400	2,500	2,500	2,600
Total Water Sales Volumes	34,791,900	38,201,200	38,357,200	38,276,000	37,804,100
Operating Revenues:					
Water Sales Revenues	77,626,200	90,410,900	98,248,300	106,376,800	115,489,100
Other Water Revenues	1,802,100	1,802,100	1,802,100	1,802,100	1,802,100
Jobbing, Contract & Miscellaneous Revenues	3,986,600	3,986,600	3,986,600	3,986,600	3,986,600
Total Operating Revenues	83,414,900	96,199,600	104,037,000	112,165,500	121,277,800
Operation and Maintenance Expenses:					
Power & Pumping	4,751,300	4,936,600	5,129,100	5,329,100	5,536,900
General & Electric Maintenance	4,679,000	4,861,500	5,051,100	5,248,100	5,452,800
Purification	9,621,600	9,996,800	10,386,700	10,791,800	11,212,700
Laboratory Services	2,821,700	2,931,700	3,046,000	3,164,800	3,288,200
Transmission & Distribution	13,269,800	13,787,300	14,325,000	14,883,700	15,464,200
Customer Service	8,416,200	8,744,400	9,085,400	9,439,700	9,807,800
Mechanical Maintenance	2,982,300	3,098,600	3,219,400	3,345,000	3,475,500
Customer Accounting & Collection	4,579,000	4,757,600	4,943,100	5,135,900	5,336,200
Administrative & General	6,651,100	5,261,300	4,995,200	5,259,800	5,536,100
Administration Fees	4,544,000	4,721,200	4,905,300	5,096,600	5,295,400
OPEB	1,148,400	1,193,200	1,239,700	1,288,000	1,338,200
Total O&M Expenses	63,464,400	64,290,200	66,326,000	68,982,500	71,744,000

Table 3

CASHFLOW AND REVENUE BOND DEBT SERVICE COVERAGE
Water Services Department
City of Kansas City, Missouri

Line No.	System Operations	2009 $	2010 $	2011 $	2012 $	2013 $
1	Revenue from Water Sales - Existing Rates	55,244,700	60,553,800	60,782,200	60,658,500	60,658,500
	Proposed Revenue Increases:					
	Year / Increase					
2	2009 12.00% [1]	6,629,400	7,266,500	7,293,900	7,279,000	7,279,000
3	2010 10.00%		6,782,000	6,807,600	6,793,800	6,793,800
4	2011 10.00%			7,488,400	7,473,100	7,473,100
5	2012 10.00%				8,220,400	8,220,400
6	2013 10.00%					9,042,500
7	Total Proposed Additional Revenues	6,629,400	14,048,500	21,589,900	29,766,300	38,808,800
8	Total Water Sales Revenues	61,874,100	74,602,300	82,372,100	90,424,800	99,467,300
9	Fire Protection	497,400	553,900	621,500	697,300	767,100
10	Service Charges	15,254,700	15,254,700	15,254,700	15,254,700	15,254,700
11	Total Rate Revenue	77,626,200	90,410,900	98,248,300	106,376,800	115,489,100
12	Other Water Revenue	1,802,100	1,802,100	1,802,100	1,802,100	1,802,100
13	Jobbing, Contract, & Misc. Revenue	3,986,600	3,986,600	3,986,600	3,986,600	3,986,600
14	Total Operating Revenues	83,414,900	96,199,600	104,037,000	112,165,500	121,277,800
15	Non-Operating Revenues	550,200	1,226,300	1,806,400	1,870,600	1,899,900
16	Total Revenues	83,965,100	97,425,900	105,843,400	114,036,100	123,177,700
17	Operation and Maintenance Expenses	63,464,400	64,290,200	66,326,000	68,982,500	71,744,000
18	Parity Debt Service [2]	19,491,700	15,594,500	22,477,100	25,715,800	26,774,500
19	Subordinate Bonds	1,023,900	2,731,000	2,824,700	2,821,700	2,821,100
20	Leases [3]	743,800	2,529,700	4,038,300	4,135,100	4,214,300
21	Total Debt Service	21,259,400	20,855,300	29,340,100	32,672,700	33,809,900
22	Renewal and Replacement Fund	0	1,000,000	1,000,000	1,000,000	1,000,000
23	Total Expenses	84,723,800	86,145,500	96,666,100	102,655,200	106,553,900
24	Annual Operating Balance	(758,700)	11,280,400	9,177,300	11,380,900	16,623,800
25	Beginning Balance - Operating & Capital Funds [4]	15,243,600	9,835,700	16,755,600	21,821,300	29,234,500
26	Funds from Annual Operating Balance	(758,700)	11,280,400	9,177,300	11,380,900	16,623,800
27	Proceeds from Sale of Bonds/Assets	68,704,700	54,050,000	54,050,000	49,100,000	0
28	Lease Proceeds	14,396,200	10,797,500	0	0	0
29	Interest Earnings - Operating & Capital Funds	1,894,400	1,947,000	2,212,000	2,372,900	2,589,100
30	Total Available Operating & Capital Funds	99,480,200	87,910,600	82,194,900	84,675,100	48,447,400
31	Bond Funded Capital Outlays	68,704,700	54,050,000	54,050,000	49,100,000	0
32	Lease Capital Outlays	14,396,200	10,797,500	0	0	0
33	(-) / + to Expenses	292,100	307,500	323,600	340,600	340,600
34	Capitalized Expenditures	4,251,500	4,000,000	4,000,000	4,000,000	4,000,000
35	Pay-Go Transfers to R&R	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
36	Ending Balance - Operating & Capital Funds	9,835,700	16,755,600	21,821,300	29,234,500	42,106,800
	Debt Service Coverage					
37	Revenues Available for Debt Service [5] [6]	23,543,500	40,997,100	47,874,400	53,811,100	60,656,400
38	Parity Debt Service Coverage	1.21	2.63	2.13	2.09	2.27
39	Subordinate & Parity Debt Service Coverage [7]	1.37	2.24	1.89	1.89	2.05
40	Total Debt Service Coverage	1.11	1.97	1.63	1.65	1.79

[1] Rate increase 2009 has been implemented by the City.
[2] Debt service is based on bond issuance of $198,915,000 comprised of $69,000,000 in new money and $129,915,000 in refunding. Additional Parity Bonds are planned for FY 2010 - 2012 in the amount of $156,000,000.
[3] Debt service also includes future leases of approximately $25,800,000 planned for FY 2009 - 2010.
[4] Beginning balance operating & capital funds is based on the FY2008 ending unrestricted cash balance.
[5] Revenues Available for Debt Service is equal to Total Revenues (line 16) less Operation and Maintenance Expenses (line 17) plus Interest Earnings - Capital Funds (line 29) plus the O&M expense OPEB (shown on Table 2).
[6] Revenues Available for Debt Service for Fiscal Years 2010 through 2013 also includes Administration Fees. The Administrative Fee amounts for FY 2010 through 2013 are $4,721,200, $4,905,300, $5,096,600, and $5,295,400, respectively.
[7] The FY 2009 calcuation for Subordinate & Parity Debt Service Coverage includes Administration Fees of $4,544,000.

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APPENDIX B

ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS

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CITY OF KANSAS CITY, MISSOURI
WATER FUND

Financial Statements

April 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

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KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Kansas City, Missouri:

We have audited the accompanying financial statements of the City of Kansas City, Missouri (the City) Water Fund (the Water Fund) as of and for the years ended April 30, 2008 and 2007. These financial statements are the responsibility of the Water Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Water Fund and do not purport to, and do not, present fairly the financial position of the City of Kansas City, Missouri as of April 30, 2008 and 2007, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Kansas City, Missouri Water Fund as of April 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in note 1(l) to the financial statements, the Water Fund adopted as of May 1, 2007 the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Also described in 1(l) to the financial statements, the Water Fund adopted the provisions of Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*

KPMG LLP

Kansas City, Missouri
October 31, 2008

This management's discussion and analysis (MD&A) of the City of Kansas City, Missouri's Water Fund (the Fund) provides an introduction and overview of the Fund's financial statements and activities for the fiscal years ended April 30, 2008 and 2007. The Fund is an enterprise fund of the City of Kansas City, Missouri (the City) and is supported wholly by water service charges. The Fund is charged with the responsibility for the administration, promotion, operation, and maintenance of the water system.

The information contained herein should be considered in conjunction with the financial statements and notes in order to provide a complete understanding of the financial performance and activities during the years ended April 30, 2008 and 2007.

Overview of the Financial Statements

The accompanying financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets, except land, are depreciated over their useful lives (see note 1 in the notes to financial statements for significant accounting policies).

The statements of net assets present information on the Fund's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Fund's financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Fund's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Fund's cash accounts through operating activities, financing activities, and investing activities are listed on these statements.

(Continued)

Financial Position and Assessment

Summary of Net Assets

(In thousands)

		April 30, 2008	April 30, 2007	April 30, 2006
Assets:				
Current assets – unrestricted	$	20,732	17,168	18,131
Current assets – restricted		8,138	8,113	7,475
Noncurrent – unrestricted		11,138	14,408	14,314
Noncurrent – restricted		50,045	23,167	42,560
Capital assets		551,990	521,530	492,102
Other assets		8,380	8,791	6,945
Total assets	$	650,423	593,177	581,527
Liabilities:				
Current liabilities	$	8,714	5,742	7,410
Liabilities payable from restricted assets		17,518	17,375	16,664
Long-term liabilities		187,767	153,076	164,343
Total liabilities		213,999	176,193	188,417
Net assets:				
Invested in capital assets, net of related debt		406,639	386,437	365,925
Restricted		8,513	4,977	3,813
Unrestricted		21,272	25,570	23,372
Total net assets		436,424	416,984	393,110
Liabilities and net assets	$	650,423	593,177	581,527

In FY2008, the Fund's assets exceeded its liabilities by $436 million, an increase of $19.4 million, or 4.7%, from the previous year. The largest portion of net assets (93.2%) was invested in capital assets (for example, land, buildings, treatment facilities, water mains, machinery, and equipment) less any outstanding debt related to those assets. These assets are used to provide water and related services to the customers.

In FY2007, the Fund's assets exceeded its liabilities by $417 million, an increase of $23.9 million, or 6.1%, from the previous year. The largest portion of net assets (92.7%) was invested in capital assets (for example, land, buildings, treatment facilities, water mains, machinery, and equipment) less any outstanding debt related to those assets. These assets are used to provide water and related services to the customers.

In FY2008, total assets increased by $57.2 million, or 9.7%. Capital assets increased $30.5 million (5.8%) due to our capital improvements program. Other assets decreased $.4 million (4.7%) due to collections on notes receivable from wholesale customers that are repaying the Fund for the transmission main built to serve them.

(Continued)

Restricted assets increased $26.9 million due to additional construction funds resulting from the issuance of new bonds.

In FY2007, total assets increased by $11.7 million, or 2.0%. Capital assets increased $29.4 million (6.0%) due to our capital improvements program. Other assets increased $1.8 million (23.4%) due to an increase in notes receivable from two wholesale customers that will repay the Fund for the transmission main built to serve them. Restricted assets decreased $18.8 million due to a decrease in construction funds as a result of bond funds spent on construction.

In FY2008, total liabilities increased $37.8 million (21.5%). Long-term bonds payable increased $33.3 million, representing 88.0% of the increase related to issuing new bonds.

In FY2007, total liabilities decreased $12.2 million (6.5%). Long-term bonds payable decreased $11.7 million, representing 95.6% of the decrease as a result of our annual principal payment.

Summary of Revenues, Expenses, and Changes in Fund Net Assets

(In thousands)

		Year ended	
	April 30, 2008	**April 30, 2007**	**April 30, 2006**
Operating revenues	$ 84,040	79,512	71,859
Operating expenses	(71,539)	(66,540)	(63,124)
Operating income	12,501	12,972	8,735
Nonoperating expenses, net	(3,076)	(2,638)	(4,221)
Net income before capital contributions	9,425	10,334	4,514
Capital contributions	10,015	13,540	6,868
Change in net assets	19,440	23,874	11,382
Total net assets – beginning of the year	416,984	393,110	381,728
Total net assets – end of the year	$ 436,424	416,984	393,110

(Continued)

Summary of Operating Revenues

(In thousands)

		Year ended	
	April 30, 2008	April 30, 2007	April 30, 2006
Retail water sales	$ 65,126	61,267	56,685
Wholesale water sales	13,125	13,122	10,299
Other water revenue	1,802	1,409	1,200
Income from jobbing, contract work, and miscellaneous revenue	3,987	3,714	3,675
Total operating revenues	$ 84,040	79,512	71,859

In FY2008, operating revenues increased $4.5 million, or 5.7%, over the previous year. Retail and wholesale water sales increased $3.9 million, or 5.2%. Due to weather, metered water sales were down 3.0% from FY2007. Water rates increased 8.0% on May 1, 2007.

In FY2007, operating revenues increased $7.7 million, or 10.7%, over the previous year. Retail and wholesale water sales increased $7.4 million, or 11.1%. Due to dry weather, metered water sales were up 4.8% from FY2006. Water rates increased 6.0% on May 1, 2006.

Summary of Operating Expenses

(In thousands)

		Year ended	
	April 30, 2008	April 30, 2007	April 30, 2006
Power and pumping	$ 5,418	4,852	4,575
General and electrical maintenance	3,019	2,872	2,809
Purification	10,971	10,083	9,895
Laboratory services	2,605	2,521	2,384
Transmission and distribution	10,243	10,362	8,535
Customer service	7,574	6,433	6,759
Mechanical maintenance	2,917	2,789	1,593
Customer accounting and collection	4,332	3,851	4,132
Administrative and general	14,278	12,816	11,940
Depreciation and amortization	10,182	9,961	10,502
Total operating expenses	$ 71,539	66,540	63,124

In FY2008, operating expenses increased $5.0 million, or 7.5%. Various expense categories fluctuated as follows:

- Power and pumping increased $566,000, or 11.7%, due to higher utility costs.

(Continued)

- Purification increased $888,000, or 8.8%, due to increases in costs of utilities and chemicals of $738,000 and the allocation of other postemployment benefits (OPEB) of $150,000.
- Customer service costs increased $1,141,000, or 17.7%, due to $265,000 in salaries, $246,000 in the allocation of OPEB, $167,000 in utility locates, $140,000 in supplies, and $80,000 in data transmission costs related to the new automated meter reading installations.
- Mechanical maintenance increased $128,000, or 4.6%, due to increased fuel costs.
- Customer accounting and collection increased $481,000, or 12.5%. Salary costs increased $200,000 due to changes in the City's pay scales for many positions, $102,000 in the allocation of OPEB, $86,000 in bank fees from increased credit card payments resulting from customers being able to make payments by phone, and $66,000 in postage increases.
- Administrative and general increased $1.5 million, or 11.4%, due to $864,000 in increased liability insurance and claims liability, $188,000 in the allocation of OPEB, and $162,000 increase in professional and consulting services.

In FY2007, operating expenses increased $3.4 million, or 5.4%. Various expense categories fluctuated as follows:

- Power and pumping increased $277,000, or 6.1%, due to higher power costs as a result of 4.8% more water being pumped as a result of drier weather and the lower Missouri river stage.
- Laboratory services increased $137,000, or 5.7%, due to increases of $59,000 in outside laboratory services and $44,000 in laboratory supplies and chemicals.
- Transmission and distribution costs increased $1.8 million, or 21.0%. The increase was due to higher street repair costs and higher cost for materials and supplies.
- Mechanical maintenance increased $1.2 million, or 75.0% due to corrections of vehicle expenses made during the current year.
- Customer accounting and collection decreased $281,000, or 6.8%. Pension expense decreased $103,530 due to a smaller allocation of the pension liability to the Fund. Salary costs decreased $157,055 due to position vacancies.
- Administrative and general increased $876,000, or 7.3%, due to increased claims expense related to a water main break.

Capital Assets

Capital assets as of April 30, 2008 totaled $552.0 million (net of accumulated depreciation) and accounted for 84.9% of total assets. Capital assets increased $30.5 million from the previous year as a result of our capital improvements program. Completed projects included $15.5 million in utility line improvements, $1.0 million in buildings, $1.6 million in equipment, and $21.7 million in construction work in process, offset by an increase in accumulated depreciation of $8.9 million and retirements of $0.5 million.

Capital assets as of April 30, 2007 totaled $521.5 million (net of accumulated depreciation) and accounted for 87.9% of total assets. Capital assets increased $29.4 million from the previous year as a result of our capital improvements program. Completed projects included $16.8 million in utility line improvements, $2.8 million in buildings, $1.6 million in equipment, and $19.6 million in construction work in process, offset by an increase in accumulated depreciation of $8.9 million and retirements of $2.5 million.

Debt Administration

The change in long-term debt during the year ended April 30, 2008 was due to the issuance of $35.0 million in Series 2008A Subordinate Water Revenue Bonds in April 2008 and a $10.8 million capital lease. These were offset by required debt service payments of $11.9 million.

The change in long-term debt during the year ended April 30, 2007 was due to the required debt service payments of $11.1 million.

The Series 2008A Subordinate issue was a private sale and as a result was not rated by the rating agencies.

The Fund has $225 million in bonding authority remaining from the 2005 authorization.

The Fund has the right under the bond ordinances to issue additional bonds payable from the same sources and secured by the same revenues, but only in accordance with and subject to the terms and conditions set forth in the bond ordinances. The Fund is required to meet an earnings test before issuing any additional bonds on parity with those mentioned above (note 6).

Request for Information

This financial report is designed to provide the Fund's management, investors, creditors, and customers with a general view of the Fund's finances and to demonstrate the Fund's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact:

Mable Ramey-Moore
Assistant Director, Finance & Business Support
Water Services Department
4800 East 63rd Street
Kansas City, Missouri 64130

CITY OF KANSAS CITY, MISSOURI
WATER FUND

Statements of Net Assets

April 30, 2008 and 2007

Assets		**2008**	**2007**
Current assets:			
Cash and cash equivalents	$	863,408	617,474
Investments		3,242,332	1,857,854
Accounts receivable, net		12,585,884	11,471,065
Accrued interest receivable		150,231	278,680
Current portion of notes receivable		291,259	275,319
Inventories		2,153,974	2,051,419
Prepaid expense		507,026	418,801
Due from other funds		937,498	197,943
Total unrestricted current assets		20,731,612	17,168,555
Restricted assets:			
Cash and cash equivalents		2,840,402	1,063,517
Investments		4,733,889	6,546,624
Accrued interest receivable		564,074	502,637
Total restricted current assets		8,138,365	8,112,778
Total current assets		28,869,977	25,281,333
Investments		11,137,898	14,407,650
Restricted assets–investments		50,045,238	23,167,502
Special assessments receivable, net		73,131	183,220
Notes receivable		6,801,602	6,953,351
Debt issuance costs, net		1,505,353	1,653,980
Capital assets, depreciable, net		483,133,559	474,417,297
Capital assets, nondepreciable		68,856,211	47,112,930
Total assets	$	650,422,969	593,177,263
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	4,615,634	2,150,289
Current portion of compensated absences		152,954	136,017
Accrued payroll and related expenses		1,645,411	1,202,914
Contracts and retainage payable		196,187	220,591
Other liabilities		114,064	650,037
Due to other funds		541,304	166,213
Current portion of claims liability		1,448,311	1,216,108
Total current liabilities, less liabilities payable from restricted assets		8,713,865	5,742,169
Liabilities payable from restricted assets:			
Accrued interest and fiscal agent fees		2,900,730	3,135,725
Current portion of revenue bonds and capital leases payable		12,728,329	11,945,000
Contracts and retainage payable		719,478	1,214,775
Customer deposits		1,169,518	1,079,877
Total liabilities payable from restricted assets		17,518,055	17,375,377
Total current liabilities		26,231,920	23,117,546
Claims liability		3,799,194	3,106,000
Compensated absences		2,795,992	2,511,547
Pension liability		1,057,828	1,782,720
Other post employment benefit obligation		1,105,266	—
Revenue bonds and capital leases payable, net of current portion		179,008,953	145,675,345
Total liabilities		213,999,153	176,193,158
Net assets:			
Invested in capital assets, net of related debt		406,638,846	386,436,712
Restricted		8,512,872	4,977,053
Unrestricted		21,272,098	25,570,340
Total net assets		436,423,816	416,984,105
Total liabilities and net assets	$	650,422,969	593,177,263

See accompanying notes to financial statements.

CITY OF KANSAS CITY, MISSOURI
WATER FUND

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended April 30, 2008 and 2007

		2008	**2007**
Operating revenues:			
Water sales	$	78,251,144	74,389,304
Other water revenue		1,802,063	1,408,475
Income from jobbing and contract work and miscellaneous revenues		3,986,649	3,713,807
Total operating revenues		84,039,856	79,511,586
Operating expenses:			
Power and pumping		5,417,959	4,851,937
General and electrical maintenance		3,019,538	2,871,968
Purification		10,971,583	10,083,236
Laboratory services		2,605,167	2,520,654
Transmission and distribution		10,242,782	10,362,196
Customer service		7,574,259	6,433,359
Mechanical maintenance		2,916,693	2,788,477
Customer accounting and collection		4,331,504	3,850,764
Administrative and general		14,278,131	12,815,929
Depreciation and amortization		10,181,650	9,961,277
Total operating expenses		71,539,266	66,539,797
Operating income		12,500,590	12,971,789
Nonoperating revenues (expenses):			
Interest income		2,949,674	3,243,943
Interest expense and fiscal agent fees		(5,998,133)	(5,863,253)
Loss on disposal of capital assets		(27,291)	(18,732)
Total nonoperating expenses, net		(3,075,750)	(2,638,042)
Net income before capital contributions		9,424,840	10,333,747
Capital contributions		10,014,871	13,540,512
Change in net assets		19,439,711	23,874,259
Total net assets – beginning of the year		416,984,105	393,109,846
Total net assets – end of the year	$	436,423,816	416,984,105

See accompanying notes to financial statements.

CITY OF KANSAS CITY, MISSOURI
WATER FUND

Statements of Cash Flows

Years ended April 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers	$ 82,385,212	79,534,063
Cash paid to employees, including benefits	(25,906,076)	(26,809,079)
Cash paid to suppliers	(31,288,205)	(30,583,565)
Net cash provided by operating activities	25,190,931	22,141,419
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(33,558,646)	(29,984,088)
Proceeds from issuance of revenue bonds/capital leases	45,808,000	—
Principal payments on revenue bonds	(11,945,000)	(11,140,000)
Interest paid on revenue bonds	(3,511,749)	(3,823,182)
Proceeds from notes receivable	290,558	356,423
Debt issuance costs	(28,344)	—
Net cash used in capital and related financing activities	(2,945,181)	(44,590,847)
Cash flows from investing activities:		
Investment purchases	(99,644,901)	(47,125,694)
Investment maturities and sales	76,465,174	63,977,732
Interest received on investments	2,956,796	3,399,949
Net cash provided by (used in) investing activities	(20,222,931)	20,251,987
Net increase (decrease) in cash and cash equivalents	2,022,819	(2,197,441)
Cash and cash equivalents at beginning of year	1,680,991	3,878,432
Cash and cash equivalents at end of year	$ 3,703,810	1,680,991
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 12,500,590	12,971,789
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	10,181,650	9,961,277
Changes in assets and liabilities:		
Accounts receivable and special assessments receivable	(1,004,730)	(612,598)
Inventories	(102,555)	429,419
Prepaid expense	(88,225)	(43,476)
Due from other funds	(739,555)	839,446
Accounts payable	2,465,345	(863,951)
Water main extensions – City's share	—	(132,337)
Compensated absences	301,382	149,585
Accrued payroll and related expenses	442,497	2,375
Other liabilities	(535,971)	40,222
Due to other funds	375,091	(692,736)
Claims liability	925,397	101,840
Customer deposits	89,641	(204,371)
Pension liability	(724,892)	194,935
Other postretirement liability	1,105,266	—
Total adjustments	12,690,341	9,169,630
Net cash provided by operating activities	$ 25,190,931	22,141,419
Components of cash and cash equivalents at end of year:		
Unrestricted	$ 863,408	617,474
Restricted	2,840,402	1,063,517
	$ 3,703,810	1,680,991
Noncash capital and related financing activity:		
Contributions of capital assets	$ 10,014,871	13,540,512
Increase (decrease) in fair value of investments	207,932	(41,819)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Kansas City, Missouri Water Fund (the Water Fund) is a fund of the City of Kansas City, Missouri (the City) and is operated by the Water Services Department. The financial statements present only the Water Fund and are not intended to present fairly the financial position of the City, and the respective changes in its financial position and cash flows, as of April 30, 2008 and 2007, and for the years then ended in conformity with U.S. generally accepted accounting principles. The following is a summary of the more significant accounting policies.

(a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, wherein revenues (including unbilled revenue) are recorded when earned and expenses are recorded when incurred. In reporting its financial activity, the Water Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

(b) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Water Fund's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(c) Accounts Receivable

Accounts receivable balances are recorded at the invoiced amount. The allowance for doubtful accounts is the Water Fund's best estimate of the probable losses in the existing accounts receivable balance.

(d) Revenue Recognition

Revenues are recognized when earned. Unbilled revenue representing estimated consumer usage for the period between the last billing date and the end of the period is accrued by the Water Fund.

(e) Inventories

Inventories, consisting of repair parts, materials, supplies, chemicals, rock, and fuel, are valued at the lower of weighted average cost or market.

(f) Debt Issuance Costs

Debt issuance costs are amortized on the straight-line method over the life of the bond issue.

(g) Capital Assets and Depreciation/Amortization

Capital assets are stated at cost, including capitalized interest on construction, or estimated historical cost. These include assets funded by revenue and general obligation bonds, contributions, and special assessments. Contributed assets are valued at fair value at the date of contribution.

Depreciation is provided on the straight-line method. Buildings, water lines, and improvements are depreciated on a composite basis over 75 years. Machinery and equipment are depreciated on a unit basis over useful lives of 3 to 20 years.

At the time of retirement or other disposition of assets for which depreciation is computed on the composite method, the original cost of the assets, net of any proceeds from their sale, is removed from the asset and accumulated depreciation accounts and no retirement gain or loss is recorded. For retirements or dispositions of assets for which depreciation is computed on the unit method, the asset and related depreciation accounts are eliminated and the difference between the net carrying value and any proceeds is recorded as a gain or loss.

Any conspicuous or known events, or changes in circumstances, affecting a capital asset is reviewed by the Water Fund to determine whether there is a significant and unexpected decline in the service utility of the capital asset, which could indicate asset impairment.

Expenses for maintenance and repairs of property are charged to operations as incurred. Renewals and betterments that increase the life of the asset, but not the value, are charged as a reduction to accumulated depreciation.

Interest costs capitalized on project-related debt for the years ended April 30, 2008 and 2007 totaled $2,407,552 and $2,312,468, respectively.

(h) Compensated Absences

Under the terms of the City's personnel policy, Water Fund employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at the annual rate of 10 to 20 days depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period, with the exception of firefighters, who accumulate 5.5 hours for the same period. The maximum amount of vacation that may be carried forward, which is accrued in the Water Fund, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit. Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; and employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

(i) Operating vs. Nonoperating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Water Fund's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(j) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Water Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) New Accounting Pronouncements

On May 1, 2007, the City adopted Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). This statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. The City and the Water Fund measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City and the Water Fund are also required to record a net OPEB obligation, which is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan. See note 11 for additional disclosure.

Effective May 1, 2007, the Water Fund adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (GASB 48). This statement establishes criteria for governments to use to account for the exchange of an interest in their expected receivables or specific future revenues for immediate cash payments. This statement also requires disclosures pertaining to future revenues that have been pledged or sold. This statement does not impact the financial statements as it only involves disclosures. See note 7 for additional information.

(m) Reclassifications

Certain 2007 reclassifications have been made to conform to the 2008 presentation.

(2) Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements, and other investments with maturities of less than five years. At April 30, 2008 and 2007, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account, was approximately $76,412,000 and $54,503,000, respectively, which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. The Water Fund's allocation of deposits was $478,245 and $1,710,737 at April 30, 2008 and 2007, respectively.

The City is empowered by City Charter to invest in the following types of securities:

1. *United States Treasury Securities (Bills, Notes, Bonds, and Strips)*. The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. *United States Agency/GSE Securities*. The City may invest in obligations issued or guaranteed by any agency of the United States government and in obligations issued by any government-sponsored

enterprise (GSE) that has a liquid market and a readily determinable market value that are described as follows:

a. U.S. Govt. Agency Coupon and Zero Coupon Securities.

b. U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only.

c. U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.

d. U.S. Govt. Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index

e. U.S. Govt. Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC, and GNMA only.

3. *Repurchase Agreements*. The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.

4. *Bankers' Acceptances*. The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.

5. *Commercial Paper*. The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars ($500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City's aggregate investment portfolio.

6. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.

7. Any full faith and credit obligations of any county in which the city is located rated at least AA or Aa2 by Standard and Poor's or Moody's.

8. Any full faith and credit obligations of any school district in Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.

9. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.

10. Any municipal obligation as defined in (6), (7), (8), or (9) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury securities as to both principal and interest.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any security owned to a maximum of five years. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Merrill Lynch 1-3 year Government/Agency index and, relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates. As of April 30, 2008, the City had the following investments and maturities (amounts are in thousands):

		Investment maturities (in years)				
Investment type	**Fair value**	**Less than 1**	**1 – 2**	**2 – 3**	**3 – 5**	**Weighted average**
Pooled investments:						
Money market account	$ 35,043	35,043	—	—	—	0.01
Certificates of deposit	23,350	23,350	—	—	—	0.24
Commercial paper	8,000	8,000	—	—	—	0.01
Municipal securities	10,003	—	1,455	—	8,548	3.72
U.S. Treasury bills	9,931	9,931	—	—	—	0.44
U.S. Treasury notes/bonds	119,747	63,328	56,419	—	—	0.96
U.S. agencies – noncallable	281,275	157,454	21,695	44,708	57,418	1.51
U.S. agencies – callable	229,961	86,719	—	—	143,242	2.84
Mortgage-backed agency	42,618	23,060	11,425	2,353	5,780	1.22
Total pooled investments	759,928	406,885	90,994	47,061	214,988	1.70
Non-pooled investments:						
U.S. agencies – noncallable	69,560	58,066	7,737	—	3,757	0.73
U.S. agencies – callable	16,885	—	—	2,553	14,332	4.30
	86,445	58,066	7,737	2,553	18,089	1.43
	$ 846,373	464,951	98,731	49,614	233,077	1.67

The Water Fund's allocation of pooled investments at April 30, 2008 was $38,778,502. The Water Fund's non-pooled investments at April 30, 2008 were $30,382,457.

Some of the non-pooled assets are held by a trustee associated with the proceeds from a capital lease. The amount held by the trustee includes investments that are insured or registered or for which the securities are held by the Water Fund or its agent in the Water Fund's name or under joint agreements. Non-pooled assets held by the trustee were $3,223,963 at April 30, 2008.

As of April 30, 2007, the City had the following investments and maturities (amounts are in thousands):

		Investment maturities (in years)				
Investment type	**Fair value**	**Less than 1**	**1 – 2**	**2 – 3**	**3 – 5**	**Weighted average**
Pooled investments:						
Money market account	$ 25,082	25,082	—	—	—	0.01
Certificates of deposit	5,709	5,709	—	—	—	0.38
U.S. Treasury	23,642	23,642	—	—	—	0.31
U.S. Treasury notes/bonds	110,645	110,645	—	—	—	0.63
U.S. agencies – noncallable	328,146	195,127	86,691	40,954	5,374	1.02
U.S. agencies – callable	172,610	35,145	38,907	29,570	68,988	2.73
Mortgage-backed agency	19,961	9,217	6,562	4,182		1.21
Total pooled investments	685,795	404,567	132,160	74,706	74,362	1.33
Non-pooled investments:						
U.S. Treasury bills	7,748	7,748	—	—	—	0.14
U.S. agencies – noncallable	112,941	104,025	6,371	—	2,545	0.50
U.S. agencies – callable	21,499	2,565	16,426	—	2,508	1.49
	142,188	114,338	22,797	—	5,053	0.63
	$ 827,983	518,905	154,957	74,706	79,415	1.21

The Water Fund's allocation of pooled investments at April 30, 2007 was $44,250,946. The Water Fund's non-pooled investments at April 30, 2007 were $1,698,938.

Callable Agency Securities. The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2008 and 2007, the total fair value of the City's callable bond portfolio (pooled and non-pooled) was $246,846,216 and $194,109,444, respectively.

Mortgaged-Backed Securities. The City has invested in collateralized mortgage obligation securities issued by the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Details of those securities are as follows:

> **FHR 2984 A, $10,000,000 par value**. The security was purchased on June 30, 2005, and has a stated final maturity of July 15, 2010. The security has a fixed coupon rate of 5.50% and pays interest monthly. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be retired in September 2008. At April 30, 2008, the security had a remaining face value of $2,874,371. At April 30, 2008 and 2007, the security had a fair market value of $2,876,197 and $10,007,030, respectively.
>
> **FHR 3149 QD, $10,000,000 par value**. The security has a fixed coupon of 5.00% and pays principal and interest monthly. The security was purchased on January 5, 2007, and although has a stated final maturity of September 15, 2025, the security is one of the first five tranches to begin receiving principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be fully retired in July 2010.

At April 30, 2008, the security had a remaining face value of $7,963,346, a book value of $7,922,721, and a fair market value of $8,003,163

FHR 3294CA, $10,000,000 original par value. The security has a fixed coupon rate of 5.50% and pays principal and interest monthly. The security was purchased on July 18, 2007, and although has a stated final maturity of April 15, 2026, the security is the first tranche to begin receiving principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount should be fully retired in May 2009. At April 30, 2008, the security had a remaining face value of $5,996,748, a book value of $5,967,611, and a fair market value of $6,025,326.

FHR 3388 CG, $20,000,000 original par value. The security was purchased on November 30, 2007, and has a stated final maturity of December 15, 2011. The security has a fixed coupon rate of 5.00% and pays principal and interest monthly. Based on current prepayment speeds using industry-standard modeling, the City's principal amount will be fully retired in December 2011. At April 30, 2008, the security had a remaining face value of $16,731,148, a book value of $16,731,148, and a fair market value of $16,818,066.

FHR 2005-101 NA, $17,000,000 original par value. The security has a fixed coupon rate of 5.00% and pays principal and interest monthly. The security was purchased on December 12, 2007, and although has a stated final maturity of March 23, 2024, the security is the first tranche to begin principal payments. Based on current prepayment speeds using industry-standard modeling, the City's principal amount will be fully retired in February 2010. At April 30, 2008, the security had a remaining face value of $8,870,557, a book value of $8,870,557, and a fair market value of $8,895,851.

(b) Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to prevent over concentration by investment type and thereby mitigate credit risk, the City's Investment Policy provides for diversification of the portfolio by investment type as follows:

	Maximum
Investment type:	
U.S. Treasury Securities and Government Guaranteed Securities	100%
Collateralized Time and Demand Deposits	100
U.S. Government Agency and GSE Securities	80
Collateralized Repurchase Agreements	50
U.S. Agency Callable Securities	30
Commercial Paper	30
Bankers Acceptances	30
Qualified Municipal Obligations	10

As of April 30, 2008, the City had the following pooled and non-pooled investment balances that are rated by both Moody's and Standard and Poor's (amounts are in thousands):

		Fair value	Moody's/ S&P ratings
U.S. treasury bills	$	129,678	Aaa/AAA
U.S. agency securities		640,299	Aaa/AAA
Commercial paper		8,000	A-1+/P-1
Municipal securities		10,003	Aaa/AAA
Total	$	787,980	

As of April 30, 2007, the City had the following pooled and non-pooled investment balances that are rated by both Moody's and Standard and Poor's (amounts are in thousands):

		Fair value	Moody's/ S&P ratings
U.S. treasury bills	$	31,390	Aaa/AAA
U.S. treasury notes/bonds		110,645	Aaa/AAA
U.S. agency discount notes		77,153	Aaa/AAA
U.S. agency securities		578,006	Aaa/AAA
Total	$	797,194	

(c) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party (i.e., the City's safekeeping institution).

The City's investment policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102% of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2008 and 2007, all deposits were adequately and fully collateralized.

The City's investment policy required that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2008 and 2007, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. government guaranteed) or U.S. agency (AAA/Aaa rated) obligations.

(d) Summary

The following is a complete listing of cash and investments held by the Water Fund at April 30, 2008 and 2007:

	2008	2007
Deposits	478,245	1,710,737
Pooled investments	38,778,502	44,250,946
Non-pooled investments	30,382,457	1,698,938
Trustee accounts	3,223,963	—
Total	72,863,167	47,660,621

The deposits and investments of the Water Fund at April 30, 2008 and 2007 are reflected in the statements of net assets as follows:

	2008	2007
Cash and cash equivalents	863,408	617,474
Investments	14,380,230	16,265,504
Restricted cash and cash equivalents	2,840,402	1,063,517
Restricted investments	54,779,127	29,714,126
Total	72,863,167	47,660,621

(3) Accounts Receivable

A summary of accounts receivable at April 30, 2008 and 2007 is as follows:

	2008	2007
Water customers	$ 9,617,634	8,104,360
Unbilled utility revenue	5,868,298	7,127,152
	15,485,932	15,231,512
Less allowance for doubtful accounts	2,900,048	3,760,447
Net accounts receivable	$ 12,585,884	11,471,065

(4) Notes Receivable

The Water Fund has built several major transmission mains to reach wholesale customers. These customers agree to pay for a proportionate share of the main based on their projected use of the capacity. At the time they start using the main, they can either pay the entire amount or pay the Water Fund over a time period at an interest rate tied to the City’s bond interest rate. The monthly payment is included in their water billing.

Notes receivable outstanding consists of the following issues at April 30, 2008 and 2007:

Customer	Interest rates	Loan completion date		2008	2007
Calpine	5.565%	February 2023	$	3,434,280	3,589,995
City of Kearney	5.565	November 2023		1,160,919	1,206,150
Platte County PWSD #2	4.126	April 2026		397,091	410,584
Platte County PWSD #9	4.126	April 2026		1,293,773	1,344,689
City of Dearborn	4.126	April 2026		653,264	677,252
Cass County PWSD #3	4.394	January 2028		153,534	—
				7,092,861	7,228,670
Less current portion				(291,259)	(275,319)
Total long-term notes receivable			$	6,801,602	6,953,351

(5) Capital Assets

Capital asset activity for the year ended April 30, 2008 is as follows:

		May 1, 2007	Additions	Retirements/ adjustments	April 30, 2008
Depreciable assets:					
Buildings	$	134,139,042	1,019,969	—	135,159,011
Utility lines and improvements		432,506,443	15,455,370	—	447,961,813
Machinery and equipment		54,789,473	1,615,156	(474,742)	55,929,887
Total depreciable assets		621,434,958	18,090,495	(474,742)	639,050,711
Accumulated depreciation:					
Buildings		(60,959,449)	(2,269,247)	166,408	(63,062,288)
Utility lines and improvements		(51,359,359)	(5,034,058)	493,636	(55,899,781)
Machinery and equipment		(34,698,853)	(2,701,375)	445,145	(36,955,083)
Total accumulated depreciation		(147,017,661)	(10,004,680)	1,105,189	(155,917,152)
Depreciable assets, net		474,417,297	8,085,815	630,447	483,133,559
Nondepreciable assets:					
Land		3,771,111	—	—	3,771,111
Construction in process		43,341,819	30,149,751	(8,406,470)	65,085,100
Total nondepreciable assets		47,112,930	30,149,751	(8,406,470)	68,856,211
Capital assets, net	$	521,530,227	38,235,566	(7,776,023)	551,989,770

Capital asset activity for the year ended April 30, 2007 is as follows:

	May 1, 2006	Additions	Retirements/ adjustments	April 30, 2007
Depreciable assets:				
Buildings	$ 131,313,298	2,825,744	—	134,139,042
Utility lines and improvements	417,711,547	16,790,678	(1,995,782)	432,506,443
Machinery and equipment	53,699,425	1,580,635	(490,587)	54,789,473
Total depreciable assets	602,724,270	21,197,057	(2,486,369)	621,434,958
Accumulated depreciation:				
Buildings	(58,828,724)	(2,130,725)	—	(60,959,449)
Utility lines and improvements	(47,050,974)	(4,780,321)	471,936	(51,359,359)
Machinery and equipment	(32,281,306)	(2,875,917)	458,370	(34,698,853)
Total accumulated depreciation	(138,161,004)	(9,786,963)	930,306	(147,017,661)
Depreciable assets, net	464,563,266	11,410,094	(1,556,063)	474,417,297
Nondepreciable assets:				
Land	3,771,111	—	—	3,771,111
Construction in process	23,767,160	35,218,231	(15,643,572)	43,341,819
Total nondepreciable assets	27,538,271	35,218,231	(15,643,572)	47,112,930
Capital assets, net	$ 492,101,537	46,628,325	(17,199,635)	521,530,227

(Continued)

(6) Revenue Bonds, Capital Leases and Restricted Assets

Revenue bonds and capital leases outstanding consist of the following issues at April 30, 2008 and 2007:

Issue	Interest rates	Maturity through	2008	2007
7th issue:				
1996 Series A	4.45% – 5.10%	December 2009	$ 8,135,000	12,580,000
1996 Series B	5.00% – 6.00%	December 2016	16,080,000	17,440,000
1998 Series A	4.20% – 5.00%	December 2014	25,005,000	28,630,000
1998 Series B	4.75% – 5.00%	December 2018	9,580,000	10,220,000
2000 Series A	5.00% – 5.80%	December 2020	18,515,000	19,480,000
2002 Series C	3.00% – 5.00%	December 2022	14,045,000	14,705,000
2004 Series D	2.50% – 5.00%	December 2023	24,750,000	25,000,000
2005 Series F	3.25% – 5.00%	December 2025	30,000,000	30,000,000
2008 Series A	4.66%	December 2027	35,000,000	—
AMR Capital Lease – 2008	3.99%	May 2017	10,808,000	—
			191,918,000	158,055,000
Add premium			888,934	948,823
Less:				
Current portion			(12,728,329)	(11,945,000)
Deferred loss on refunding, net of accumulated amortization			(1,024,520)	(1,335,134)
Discount			(45,132)	(48,344)
Revenue bonds and capital leases payable			$ 179,008,953	145,675,345

Changes in revenue bonds and capital leases payable during the year ended April 30, 2008 are as follows:

	May 1, 2007	Additions	Retirements	April 30, 2008
Revenue bonds and capital leases	$ 158,055,000	45,808,000	(11,945,000)	191,918,000
Less current portion	(11,945,000)			(12,728,329)
Total	$ 146,110,000			179,189,671

Changes in revenue bonds payable during the year ended April 30, 2007 are as follows:

	May 1, 2006	Additions	Retirements	April 30, 2007
Revenue bonds	$ 169,195,000	—	(11,140,000)	158,055,000
Less current portion	(11,140,000)			(11,945,000)
Total	$ 158,055,000			146,110,000

(Continued)

The annual requirements to retire the bonds outstanding as of April 30, 2008 are as follows:

		Principal	Interest	Total
Year ending April 30:				
2009	$	12,728,329	8,413,960	21,142,289
2010		13,980,513	8,385,687	22,366,200
2011		12,551,577	7,705,867	20,257,444
2012		13,407,176	7,125,565	20,532,741
2013		12,302,360	6,502,910	18,805,270
2014 – 2018		59,358,045	23,759,340	83,117,385
2019 – 2023		45,975,000	11,106,883	57,081,883
2024 – 2028		21,615,000	2,331,007	23,946,007
	$	191,918,000	75,331,219	267,249,219

On May 30, 2007, the Water Fund entered into a Lease Purchase Agreement for an automated meter reading (AMR) system. This agreement for $10,808,000 represents the first of three draws to fund the installation of an AMR system throughout the City. The interest rate on the May 30, 2007 agreement is 3.99%. Monthly installments to repay principal begin in July 2008 through May 2017. It is anticipated there will be draws in the following two years to fund the $35 million project. The capital lease agreement was made under the City of Kansas City, Missouri’s Master Lease Agreement dated October 15, 2005.

On April 15, 2008, the City issued $35,000,000 (Series 2008A) City of Kansas City, Missouri Subordinate Water Revenue Bonds. The bond proceeds will be used to provide funds for the purpose of extending and improving the City’s water system. The interest rate on Series 2008A is 4.66% and mature annually in amounts ranging from $1,100,000 to $2,775,000 during fiscal years 2010 through 2028.

All funds obtained through the issuance of water revenue bonds are restricted for the purpose of extending and improving the facilities of the Water Fund. All debt service requirements are payable solely from revenues generated by the Water Fund. Under the terms of the ordinances enacted at the time of the issuance of the revenue bonds, all bond issues share equal claim to the revenue generated by the Water Fund. The ordinances require the City to maintain adequate insurance coverage and establish the priority for the allocation of revenue generated by the Water Fund. After meeting normal operating and maintenance expenses, all remaining moneys are to be allocated to the following accounts in the order listed below:

Account	Restriction
Principal and interest	For the monthly accumulation of moneys to meet the maturing revenue bond principal and interest requirement. Each month, the City is to set aside 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment.
Construction	For recording bond proceeds to be used to finance construction.

(Continued)

The bond ordinances also require that the City establish a reserve account for the retirement of the bonds in an amount equal to $5,500,000. However, in lieu of setting aside cash, the ordinances allow the City to obtain insurance policies to satisfy this requirement. The City has chosen to obtain insurance policies. For all water revenue bond issuances, the City has complied with the significant bond covenants established by these ordinances.

Restricted accounts are reported on the accompanying statements of net assets as restricted assets for 2008 and 2007 as follows:

Account		Restricted assets 2008	Restricted assets 2007
Principal and interest	$	8,138,365	8,112,778
Construction		48,824,447	22,087,625
Customer deposits		1,220,791	1,079,877
	$	58,183,603	31,280,280

(7) Pledged Revenues

The City has pledged revenues of the Water Fund, net of specified operating expenses, to repay $191,918,000 in water revenue bonds and capital leases. The bonds were issued to provide improvements to the water system and facilities. Capital leases were issued to cover the installation of an automated meter reading (AMR) system and lab equipment. The various issues and maturity dates are listed in Footnote 6. The bonds and capital lease payments are payable solely from the revenues derived by the Water Fund. Annual principal and interest payments on the bonds are expected to require less than 52% of net revenues. The total principal and interest remaining to be paid on the bonds is $267,249,219. Principal and interest paid for the year ended April 30, 2008 and total net revenues were $19,906,343 and $25,843,853, respectively.

(8) Due to/from Other Funds

Amounts due to/from other funds at April 30, 2008 and 2007 were as follows:

		2008		2007	
		Due from	**Due to**	**Due from**	**Due to**
Sewer fund	$	829,231	49,214	66,999	59,123
General fund		108,267	492,090	130,944	107,090
	$	937,498	541,304	197,943	166,213

Amounts due from and due to the Sewer fund represent reimbursement of operating costs between the two funds. Amounts due from and due to the General fund represent reimbursement of operating costs between the funds.

(9) Administrative Service Fees

Payments to the General fund of the City for office space and certain administrative, data processing, and accounting services for the years ended April 30, 2008 and 2007 are presented as administrative and general expenses and are as follows:

		2008	2007
Administrative, data processing, and accounting	$	4,572,979	4,714,116

The Water Fund provides billing and collection services for the City of Kansas City, Missouri Sewer Fund and charged the City of Kansas City, Missouri Sewer Fund $2,494,871 and $1,658,350 for these services for the years ended April 30, 2008 and 2007, respectively.

(10) Employee Retirement Plan

The City sponsors a contributory, single-employer, defined benefit pension plan, The Employees' Retirement System (the Plan), covering substantially all employees. Contributions to the Plan are made by the City and covered employees. The contributions are calculated to fund normal cost and amortization of unfunded prior service costs. The City receives an annual actuarial report on the actuarial accrued liability and net assets available for benefits.

At May 1, 2008, the actuarial accrued liability of the Plan was approximately $934,334,000, and the net assets available for benefits of the Plan were approximately $873,680,000; however, a determination is not made for individual funds. Although determinations of the actuarial status are not made for individual funds, the City has allocated its overall net pension obligation of approximately $7,322,000 to each participating fund. The Water Fund's allocation was approximately $1,058,000 as of April 30, 2008. Contributions to the Plan made by the Water Fund during the year ended April 30, 2008 were approximately $2,460,000.

At May 1, 2007, the actuarial accrued liability of the Plan was approximately $847,393,000, and the net assets available for benefits of the Plan were approximately $914,460,000; however, a determination is not made for individual funds. Although determinations of the actuarial status are not made for individual funds, the City has allocated its overall net pension obligation of approximately $13,302,000 to each participating fund. The Water Fund's allocation was approximately $1,783,000 as of April 30, 2007. Contributions to the Plan made by the Water Fund during the year ended April 30, 2007 were approximately $2,359,000.

A stand-alone financial report is issued for the Plan. The report may be obtained from the City's Retirement Division.

(11) Other Postemployment Benefits

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (GASB 45), other post employment benefits (OPEB) are recorded in the financial statements as non-current accrued payroll on the statement of net assets and are included as an operating expense in salaries and wages and employee benefits on the statement of revenues, expenses, and changes in net assets.

(Continued)

The City sponsors a single-employer, defined benefit healthcare plan that provides healthcare benefits to retirees' and their dependents, including medical, dental, and vision coverage. The City requires the retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB 45.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies.

As of April 30, 2006, the most recent (initial) actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was $150.4 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $150.4 million.

Although determinations of the actuarial status were not made for individual funds, the City has allocated its overall net OPEB obligation of approximately $13,916,000 to each participating fund. The Water Fund's allocation was approximately $1,105,000.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented in the City's comprehensive annual financial report as required supplementary information following the notes to the financial statements and presents multi-year trend information over time relative to the actuarial accrued liabilities for benefits.

(12) Commitments

At April 30, 2008, the City had made purchase commitments, primarily for additions to utility lines and improvements, on behalf of the Water Fund of approximately $38.5 million. These commitments will be funded by a combination of existing resources and future debt issuances.

(13) Risk Management

The Water Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is entitled to the defense of sovereign immunity against tort action that provides immunity except in two areas, motor vehicles and condition of City property; however, plaintiffs are limited to a maximum of $250,000 per person and $1,000,000 per occurrence in these two areas. The City has retained the risk for these amounts and the deductibles on commercial insurance for other risks of loss. Settled claims have not exceeded commercial insurance coverage for the past three years. The claims liability for the Water Fund, which includes an estimate of claims incurred but not reported (IBNR), totaled $5,247,505 and $4,322,108 for the fiscal years ended April 30, 2008 and 2007, respectively. The IBNR liability was determined based upon historical claims experience.

(Continued)

(14) Net Assets

Invested in capital assets, net of related debt is comprised of the following:

		April 30	
		2008	2007
Capital assets:			
Land	$	3,771,111	3,771,111
Construction in progress		65,085,100	43,341,819
Buildings		135,159,011	134,139,042
Utility line and improvements		447,961,813	432,506,443
Machinery and equipment		55,929,887	54,789,473
		707,906,922	668,547,888
Less accumulated depreciation		(155,917,152)	(147,017,661)
Capital assets, net		551,989,770	521,530,227
Bond issuance cost, net		1,505,353	1,653,980
Total capital assets		553,495,123	523,184,207
Less related liabilities:			
Current portion, bonds payable		12,728,329	11,945,000
Bonds payable, net of premium, discount, and unspent proceeds		134,127,948	124,802,495
Total liabilities		146,856,277	136,747,495
Invested in capital assets, net of related debt	$	406,638,846	386,436,712

Restricted net assets at April 30, 2008 and 2007 are as follows:

		2008	2007
Restricted assets:			
Cash and cash equivalents and investments, restricted	$	57,619,529	30,777,643
Interest receivable, restricted		564,074	502,637
		58,183,603	31,280,280
Less liabilities from restricted assets:			
Contracts and retainages payable		719,478	1,214,775
Debt related to unspent bond proceeds		44,881,005	20,872,850
Accrued interest and fiscal agent fees		2,900,730	3,135,725
Customer deposits		1,169,518	1,079,877
Restricted net assets		49,670,731	26,303,227
	$	8,512,872	4,977,053

APPENDIX C

INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI

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INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI

GENERAL INFORMATION

Location, Size and Demographics

Kansas City, Missouri (the "City") is the largest City in Missouri and is the central city of a fifteen county Metropolitan Statistical Area (MSA) which includes Bates, Caldwell, Cass, Clay, Clinton, Lafayette, Ray, Jackson and Platte counties in the State of Missouri and Johnson, Franklin, Linn, Wyandotte, Miami and Leavenworth counties in the State of Kansas. The City is located in parts of Jackson, Clay, Platte and Cass counties on the western border of the State of Missouri, and is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35 and I-70.

Historically, the City has pursued a policy of annexation, and is today the 13th largest city in land area in the United States with a total area of approximately 319 square miles.

According to the Department of City Planning and Development of Kansas City, Missouri, estimate, year 2008 population of the City and the Kansas City MSA are estimated at 480,534 and 2,006,565, respectively. There is excellent quality and reasonably priced housing available in Kansas City. The cost of an existing home in Kansas City is approximately twenty-six percent (26%) below the average for comparable homes in the United States as of second quarter in 2008.

Municipal Government and Services

The City was incorporated on June 3, 1850. The City is a constitutional home rule city and adopted its present Charter by popular vote on August 8, 2006, pursuant to Article VI, Section 19 of the Missouri Constitution.

The City has a Council-Manager form of government. There are 13 members of the Council, including the Mayor. All are elected for four-year terms, with the Mayor and six Council members elected at large and the other six Council members elected by the residents of their districts. The City Manager is appointed by the Council. The Council determines City policy and oversees City affairs. All resolutions and most ordinances can be passed by the affirmative vote of seven Council members. However, emergency measures for the immediate preservation of the public peace, property, health, safety or morals and ordinances to expel a council member, to amend the zoning law when under protest, or to borrow money require nine affirmative votes.

As of September 9, 2008, the City has approximately 6,938 employees including the Police Department. The police are not unionized. Certain Fire personnel are union-eligible; however, not all Fire Department employees are represented by a bargaining unit. Along, with the Fire Chief, and his Principal Assistant, the Fire Department has administrative, clerical, and Deputy Chiefs that are not represented by any bargaining unit. The fire personnel are represented by the Local 42 IAFF (approximately 943) and the 3808 IAFF Union (approximately 23 members). Approximately 1,787 City employees, in labor classifications, are represented by the AFSCME Local 500. The Local 500 Memorandum of Understanding (MOU) expired on April 30, 2005, with the exception of provisions related to Variable Pay Plan, which expires on April 30, 2008. The new MOU has been ratified, submitted to Council and was implemented September 14, 2008.

The City's tax structure is diverse compared to most large cities, and includes the Earnings and Profits Tax, Sales and Use Tax, Convention and Tourism Tax, General Property Tax, Gaming Tax, Motor Fuel Tax, Utility Tax which includes Telephone, Natural Gas, Steam, Cable Television and Electric taxes, Cigarette and Occupational License Tax.

The City provides all basic municipal services, including fire protection, water and sewage treatment, street construction and maintenance, traffic regulation and control, refuse collection, street lighting, public health protection, planning and maintenance of City parks and boulevards, tree planting, municipal golf courses, public swimming pools and tennis courts, a municipal correctional institution, emergency aid to needy persons, management of two municipal airports, administration of zoning and subdivision regulations, and operation of the City's convention facilities. The Police Department, although financed primarily by General Funds of the City, is a separate governmental entity. School districts which serve Kansas City are also separate governmental entities. Truman Medical Center and the Metropolitan Ambulance Services Trust are run by separate boards, but receive substantial funds from the City.

SELECTED DEMOGRAPHIC STATISTICS

Kansas City, Missouri

Year	Population[1]	Per Capita Personal Income
1999	437,764	20,372
2000	441,851	20,295
2001	442,713	21,587
2002	443,416	22,755
2003	443,070	20,026
2004	443,268	22,405
2005	443,702	24,567
2006	446,808	24,180
2007	475,830[2]	24,299
2008	480,534	25,716

Metropolitan Statistical Area

Year	Population[1]	Per Capita Personal Income
1999	1,815,318	22,962
2000	1,842,912	22,506
2001	1,864,148	24,574
2002	1,887,074	24,560
2003	1,904,209	24,907
2004	1,922,640	24,914
2005	1,940,120	26,251
2006	1,961,684	26,848
2007	1,985,429	27,650
2008	2,006,565	Not Available

(1) The Federal Office of Management and Budget changed Kansas City, Missouri's Metropolitan Statistical Area (MSA) from eleven (11) to fifteen (15) counties in 2003. All fifteen (15) counties are included in the MSA population numbers. Population estimates from 1999 to 2007 were obtained from the U.S. Census Bureau. Calendar Year 2008 population number was estimated by the City Planning and Development Department of Kansas City, Missouri.

(2) In February 2009, due to a successful City appeal to the U.S. Census Bureau, the 2007 official population of Kansas City, MO., was changed from 450,375 to 475,830.

Sources: Census Bureau; City Planning and Development Department, Mid-America Regional Council, Census Bureau's Annual America Community Survey, and Claritas.

COMPARISON of METROPOLITAN AREAS

	ACCRA Cost of Living Index 2008 1st Quarter (1)	Median Price, Existing Homes 2008 2nd Quarter (2)	Per Capita Retail Sales (2007) (3)
Kansas City	96.1	$152,800	$15,818
U.S.	100.0	206,500	15,961
Atlanta	97.6	158,300	16,285
Charlotte	94.7	201,300	17,520
Chicago	111.5	257,600	15,655
Columbus	98.6	145,700	15,747
Dallas	91.9	151,000	15,652
Denver	105.1	225,200	17,650
Los Angeles	150.3	417,800	15,323
Memphis	89.0	131,600	15,506
Minneapolis	109.3	210,800	17,697
New York	218.8	453,400	15,052
Phoenix	101.6	205,100	18,684
Saint Louis	90.0	148,600	16,075
Salt Lake City	98.7	234,200	19,148
San Francisco	173.6	684,900	15,823

Sources:

All information in the above table was obtained from the Kansas City Area Development Council (KCADC). For comparability to other City MSA's, Kansas City information is based on fifteen (15) county areas for the "Per Capita Retail Sales" and "Home Price Index." Reference is further made by KCADC to the following sources:

(1) The Council for Community and Economic Research, ACCRA Cost of Living Index.
(2) National Association of Realtors.
(3) Claritas / Market Statistics.

THE KANSAS CITY ECONOMY

The City is a regional center for transportation, telecommunications, manufacturing, health care, trade, financial services, and government. Major companies headquartered in metropolitan Kansas City, Missouri include Sprint Nextel Corporation, HCA-Midwest Health Systems and DST Systems, Inc. Other major employers include the Public School Systems, State/County/City Government, Federal Government, Hallmark Cards, McDonald's USA LLC, St. Luke's Health System, Cerner Corporation and Ford Motor Company.

The City's economy provides for a consistent and well distributed earnings and employment environment for its business sectors.

The City's proximity and ready access to geographical and population centers throughout the nation make the area an attractive location for industrial product distribution and trade. The City's central location is advantageous for commuting to all parts of the United States and has enhanced its development and posture as a major transportation center with a complete range of transportation facilities, including a major highway network, eleven railroad trunk lines, and the Kansas City International Airport (KCI). KCI handled 11.3 million passengers in fiscal year 2008. As of September 2008, there are 25 airlines, 12 mainline and 13 regional/commuter serving 48 cities with nonstop service. Flight times from KCI are about three hours to either coastline.

MAJOR KANSAS CITY METROPOLITAN STATISTICAL AREA EMPLOYERS

Kansas City Metropolitan Area
Principal Employers

Employer	Type of Business	Number of Employees *
Federal Government	Government	38,906
Public School System (1)	Education	31,857
State/County/City Government (2)	Government	25,606
Sprint Nextel Corp.	Wireless Telecommunication	13,200
HCA Midwest Health System	Health Care Provider	7,000
McDonald's USA LLC	Quick-Service Restaurant	6,400
Saint Luke's Health System	Health Care Provider	5,454
Cerner Corp.	Health Care Information Technology	4,700
DST Systems, Inc.	Information Processing and Computer Software Services	4,500
Ford Motor Co. Kansas City Assembly Plant	Car and Truck Manufacturing	4,400
Hallmark Cards, Inc.	Greeting Cards, Expression Products Television Programming	4,200
Children's Mercy Hospitals & Clinics	Pediatric Specialty Health Care	4,108
AT&T	Telecommunications	4,013
Embarq Corp	Telecommunications	3,809
Black & Veatch	Global Engineering Consulting and Construction Company	3,800

(1) The number of local employees for the public school system is made up of twelve (12) public school systems and school districts.
(2) The number of local employees for the State/County/City Government is made up of seven (7) employers.

Source: Top Public-Sector Employers, Kansas City Business Journal, April 18, 2008 and Top 100 Area Private-Sector Employers, Kansas City Business Journal, April 25, 2008.

***** Note: The City does not undertake continuously to update this table at regular intervals. The information presented in this table speaks only as of the date indicated in the source. Layoffs or developments after this date are not presented, and they may render some information in the table to be inaccurate. In general, employment has sharply declined in recent months as reported by the Bureau of Labor Statistics of the U.S. Department of Labor. In December 2008 and January 2009, job losses were widespread across most major industry sectors.

Employment Information

The following table shows the annual average non-agricultural employment for the metropolitan area for 2003 to 2007 using the North American Industry Classification System (NAICS).

ANNUAL AVERAGE NON-AGRICULTURAL EMPLOYMENT
METROPOLITAN AREA

	2003	2004	2005	2006	2007
Manufacturing	82,600	83,700	82,900	83,300	82,500
Trade, Transport & Utilities	201,600	202,200	203,600	205,000	207,800
Information	47,800	45,300	42,600	42,000	42,200
Finance	70,900	70,900	71,100	73,100	74,900
Professional & Business Services	122,600	127,700	137,700	141,600	148,100
Educational & Health Services	107,700	108,900	111,700	114,500	118,600
Leisure & Hospitality	90,700	92,300	93,000	94,600	95,500
Government	142,500	143,900	144,300	145,800	150,400
Natural Resources & Construction	50,900	50,800	52,900	54,400	53,400
Other Services	41,400	40,400	40,200	39,900	41,200
Total, Non-farm	***958,700***	***966,100***	***980,000***	***994,200***	***1,014,600***

Source: Missouri Department of Economic Development, Missouri Economic Research & Information Center in Cooperation with U.S. Department of Labor, Bureau of Labor Statistics. These figures were based upon the North American Industry Classification System (NAICS).

The following table depicts average annual unemployment rates for the last ten years:

AVERAGE ANNUAL UNEMPLOYMENT RATES

Year	Kansas City	MSA	United States
1999	3.6	3.1	4.2
2000	3.8	3.3	4.0
2001	5.3	4.4	4.7
2002	6.6	5.5	5.8
2003	7.2	6.0	6.0
2004	7.7	6.1	5.5
2005	7.1	5.6	5.1
2006	6.3	5.0	4.6
2007	6.4	5.0	4.6
2008	7.6 (1)	5.7 (1)	5.8

Source: U.S. Department of Labor, Bureau of Labor Statistics.

(1) Average of unemployment rate from January to November 2008.

The following table shows the valuation of building construction for the last ten fiscal years:

BUILDING CONSTRUCTION VALUATION
(Amounts Expressed in Thousands)

Fiscal Year	Commercial Valuation	Residential Valuation	Total
1999	586,945	235,386	822,331
2000	643,246	232,500	875,746
2001	482,427	244,223	726,650
2002	685,120	306,693	991,813
2003	426,447	397,062	823,509
2004	372,238	394,758	766,996
2005	600,068	471,313	1,071,381
2006	1,095,063	417,816	1,512,879
2007	749,898	345,252	1,095,150
2008	482,072	204,173	686,245

Sources: Division of Development Services, Department of City Planning and Development, City of Kansas City, Missouri.

The following table shows the locally assessed value of both real and personal taxable property for the last ten fiscal years:

City of Kansas City, Missouri
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value
1999	3,297,036	1,487,171	4,784,207
2000	3,538,437	1,515,046	5,053,483
2001	3,589,296	1,596,472	5,185,768
2002	3,899,050	1,596,366	5,495,416
2003	3,850,565	1,526,968	5,377,533
2004	4,242,606	1,425,531	5,668,137
2005	4,488,998	1,428,914	5,917,912
2006	5,021,849	1,432,570	6,454,419
2007	5,185,697	1,438,517	6,624,214
2008	5,512,212	1,771,702	7,283,914

Sources: Original data obtained from aggregate assessed valuation reports provided by each county clerk and on file with the State of Missouri and the Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2008.

Principal taxpayers for fiscal year 2008 are shown in the following table:

CITY OF KANSAS CITY, MISSOURI
TOP TEN TAXPAYERS

Taxpayer	Type of Business	Assessed Value	Percent of Valuation (1)
Kansas City Power & Light	Electrical Utility	139,502,548	1.92%
Zona Rosa Development LLC	Real Estate	99,854,270	1.37%
Hallmark / Crown Center	Greeting Card, Retail Sales	75,174,534	1.03%
AT&T	Telecommunications	55,903,698	0.77%
Ameristar Casino Kansas City	Gaming	50,703,587	0.70%
Citicorp Credit Services	Financial Services	33,087,556	0.45%
Liberty Mutual Insurance Company	Insurance Services	32,788,800	0.45%
Kansas City Star	News Media	32,779,478	0.45%
JC Nichols & Highwoods Realty Limited	Real Estate	30,256,275	0.42%
DST Systems	Computer Software Services	25,555,330	0.35%
		$575,606,076	**7.90%**

(1) The total assessed valuation for fiscal year 2008 is $7,283,914,645.

Source: Division of Accounts and Treasury Division, Finance Department, City of Kansas City, Missouri.

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APPENDIX D

DEFINITIONS AND SUMMARY OF BOND ORDINANCE

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BOND ORDINANCE DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Bond Ordinance with respect to the Bonds and this Official Statement. Reference is hereby made to the Bond Ordinance as applicable, for complete definitions of all terms.

"Accreted Value" means, with respect to each Capital Appreciation Bond, (i) the initial principal amount of such Capital Appreciation Bond plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Capital Appreciation Bond, and (ii) with respect to any calculation on a date other than a compounding date, the amount determined pursuant to clause (i) above as of the immediately preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Capital Appreciation Bond.

"Accumulation Payments" shall have the meaning ascribed therefor in the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account.

"Additional Interest" means, for any period during which any Pledged Bonds are owned by a Credit Facility Provider pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal Principal amount of Bonds at the Bond Rate.

"Administrative Service Fees" means fees paid to the general fund of the City for office space and certain administrative, information technology, accounting and other support services provided to the System of the City, but which may be used to pay Principal of and Interest on Senior and Subordinate Bonds if needed.

"Annual Budget" means the annual budget of the City relating to the System (which shall include all costs, obligations and expenses properly allocable to the System), as amended or supplemented in accordance with established procedures of the City, adopted or in effect for a particular Fiscal Year.

"Auction Rate Bonds" means any Bonds which bear interest at the auction rate determined pursuant to the auction bond provisions set forth in the Series Ordinance of the City authorizing such Auction Rate Bonds.

"Balloon Bonds" means any series of Bonds 25% or more of the Principal of which (i) is due in any 12-month period or (ii) may, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid in any 12-month period; provided that, in calculating the Principal of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such Principal shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

"Balloon Date" means any Principal Maturity Date or Put Date on which more than 25% of the Principal of related Balloon Bonds mature or are subject to mandatory redemption or could, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid.

"Bond Counsel" means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, appointed by the City.

"Bond Rate" means the rate of interest per annum payable on specified Bonds other than Pledged Bonds.

“Bond Register” means the books for the registration, transfer and exchange of Bonds maintained by the Bond Registrar.

“Bondholder” means the registered owner of one or more Bonds.

“Bonds” means any revenue bonds authorized by and authenticated and delivered pursuant to the Bond Ordinance, including any Senior Bonds and any Subordinate Bonds.

“Business Day” means a day other than a Saturday, Sunday or holiday on which the Paying Agent, Bond Registrar or applicable Credit Facility Provider is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

“Capital Appreciation Bonds” means Bonds which bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

“Commitment” when used with respect to Balloon Bonds, means a binding written commitment from a financial institution, surety or insurance company to refinance such Bonds on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Bonds.

“Consulting Engineer” means each independent engineer or engineering firm with experience in designing and constructing waterworks facilities and retained by the City.

“Continuing Disclosure Agreement” means the continuing disclosure agreement relating to a series of Bonds, as amended from time to time in accordance with its terms.

“Costs” with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, renovate, repair, replace, equip, install, or otherwise develop such Project and shall include, but shall not be limited to, the following costs and expenses relating to such Project and the reimbursement to the City for any such items previously paid by the City:

(i) the cost of all lands, real or personal properties, rights, easements, and franchises acquired;

(ii) the cost of all machinery and equipment, financing charges, and interest prior to and during construction and for six months after completion of construction;

(iii) the cost of the acquisition, construction, reconstruction or installation of such Project;

(iv) the cost of engineering, architectural, development and supervisory services, fiscal agents’ and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of any Projects, administrative expenses, and such other expenses as may be necessary or incident to any financing by Bonds;

(v) the cost of placing such Project in operation;

(vi) the cost of condemnation of property necessary for such construction and operation;

(vii) costs of removal associated with retiring an asset;

(viii) any other costs which may be incident to such Project; and

(iv) Costs of Issuance.

"Costs of Issuance" means issuance costs with respect to the Bonds, including but not limited to the following: underwriters' spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public), issuer's fee on SRF Bonds, management fee and expenses; Credit Facility fees and Reserve Account Credit Facility fees; counsel fees (including bond counsel, underwriter's counsel, City's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the City incurred in connection with the issuance of the Bonds; initial remarketing agent fees or auction agent fees; rating agency fees; escrow agent, verification agent and paying agent fees; accountant fees and other expenses related to issuance of the Bonds; printing costs (for the Bonds and of the preliminary and final official statement relating to the Bonds); and fees and expenses of the City incurred in connection with the issuance of the Bonds.

"Council" means the City Council of the City.

"Credit Facility" means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution which is used by the City to perform one or more of the following tasks: (i) enhancing the City's credit by assuring owners of any of the Bonds that Principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Series Ordinance; or (iii) remarketing any Bonds so submitted to the Credit Facility Provider (whether or not the same Credit Facility Provider is remarketing the Bonds). The term Credit Facility shall not include a Reserve Account Credit Facility.

"Credit Facility Agreement" means an agreement between the City and a Credit Facility Provider pursuant to which the Credit Facility Provider issues a Credit Facility and may include the promissory note or other instrument evidencing the City's obligations to a Credit Facility Provider pursuant to a Credit Facility Agreement. The term Credit Facility Agreement shall not include a Reserve Account Credit Facility Agreement.

"Credit Facility Provider" means any issuer of a Credit Facility then in effect for all or part of the Bonds. The term Credit Facility Provider shall not include any Reserve Account Credit Facility Provider. Whenever in the Bond Ordinance the consent of the Credit Facility Provider is required, such consent shall only be required from the Credit Facility Provider whose Credit Facility is issued with respect to the series of Bonds for which the consent is required.

"Debt Service Requirement" means the total Principal and interest coming due on Senior Bonds, or all Bonds, as applicable, whether at maturity or upon mandatory redemption, in any specified period; provided, however, that Debt Service Requirement with respect to SRF Bonds shall mean the net amount of Principal and interest coming due on such SRF Bonds after taking into account any "SRF Subsidy" (i.e., the amount of anticipated investment earnings which will accrue on any reserve account relating to the SRF Bonds and which will reduce the debt service payments of the City with respect to such SRF Bonds). For the purpose of calculating the Debt Service Requirement on any Bonds Outstanding or proposed to be issued that bear interest at a Variable Rate, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled the average of the SIFMA Municipal Bond Index (formerly BMA Municipal Bond Index) for the prior 5 calendar years, or any successor index as certified to the City by a Financial Advisor. If making an historical calculation with respect to Variable Rate Bonds, actual interest rates may be used. For the purpose of calculating the Debt Service Requirement on any Auction Rate Bonds that are Outstanding or proposed to be issued, the interest coming due in any specified future period shall be determined by the Series Ordinance of the City authorizing such Auction Rate Bonds. For the purpose of calculating the Debt Service Requirement on any Capital Appreciation Bonds that are Outstanding or proposed to be issued, the total Principal and interest coming due in any specified period shall be determined, with respect to such Capital Appreciation Bonds, by the Series Ordinance of the City authorizing such Capital Appreciation Bonds. With respect to any Bonds secured by a Credit Facility, Debt Service Requirement shall also include (i) any upfront or periodic commission or commitment fee obligations with respect to such Credit Facility, (ii) the outstanding amount of any Reimbursement Obligation owed to the applicable Credit Facility Provider and interest thereon, (iii) any Additional Interest owed on Pledged Bonds to a Credit Facility Provider, and (iv) any remarketing agent or surveillance fees. With respect to any Hedged Bonds, the interest on such Hedged Bonds during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the City on such Hedged Bonds pursuant to their terms and (y) the amount of Hedge Payments payable by the City under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the City on the related Hedged Bonds shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts payable or receivable for any future period which are not fixed throughout the Hedge Period (i.e., which are variable), such Hedge Payments or Hedge Receipts for any period of calculation (the **"Determination Period"**) shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period). For the purpose of calculating the Debt Service Requirement on Balloon Bonds (1) which are subject to a Commitment or (2) which do not have a Balloon Date within 12 months from the date of calculation, such Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Advisor to be the interest rate at which the City could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Bonds and with a 20-year term); provided, however, that if the maturity of such Bonds (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Bonds shall be assumed to be amortized in substantially equal annual amounts to be paid for Principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Bonds to maturity (including the Commitment) and at the interest rate applicable to such Bonds. For the purpose of calculating the Debt Service Requirement on Balloon Bonds (1) which are not subject to a Commitment and (2) which have a Balloon Date within 12 months from the date of calculation, the Principal payable on such Bonds on the Balloon Date shall be calculated as if paid on the Balloon Date. The Principal of and interest on Bonds and Hedge Payments shall be excluded from the determination of Debt Service Requirement to the extent that (1) the same were or are expected to be paid with amounts on deposit on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in the Project Fund, the Sinking Fund Account or a similar fund for Subordinate Bonds or (2) cash or non-callable Government Securities are on deposit in an irrevocable escrow or trust account in accordance with the "Defeasance" section of the Bond Ordinance (or a similar escrow or trust account for Subordinate Bonds) and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay Principal or interest and are sufficient to pay such Principal or interest. Notwithstanding anything to contrary stated above, other than with respect to Capital Appreciation Bonds and SRF Bonds, if making an historical calculation, actual debt service may be used.

"Debt Service Reserve Requirement" means an amount determined from time to time by the City as a reasonable reserve for the payment of Principal of and interest on Senior Bonds which are not Senior SRF Bonds. Initially, this amount shall be no greater than the least of (a) 10% of the stated Principal amount of the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), (b) the maximum annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), or (c) 125% of the average annual Principal and interest requirements on the

Senior Bonds which are not Senior SRF Bonds (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds). The City may in its sole discretion reduce this amount from time to time by Supplemental Ordinance, but in no event may the City reduce this amount unless each Rating Agency indicates in writing to the City that such reduction will not, by itself, result in a reduction or withdrawal of its current Rating on the Senior Bonds. The City may increase this amount from time to time by Supplemental Ordinance, subject to an opinion of Bond Counsel. If the aggregate initial offering price of a series of Bonds to the public is less than 98% or more than 102% of par, such offering price shall be used in lieu of the stated Principal amount. Notwithstanding the foregoing, the Debt Service Reserve Requirement, if any, in connection with any Senior SRF Bonds or any Subordinate Bonds, including Subordinate SRF Bonds, shall be as provided in the Series Ordinance authorizing the issuance of such Senior SRF Bonds or such Subordinate Bonds.

"Debt Service Reserve Subaccount" means the subaccount by that name within the Sinking Fund Account established in the Bond Ordinance.

"Director" means, in reference to the Department of Water Services of the City, the Director of the Department of Water Services of the City or his or her designee, and in reference to the Department of Finance of the City, the Director of the Department of Finance of the City or his or her designee, in each case, such designee shall be designated in accordance with the City's Charter.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions under the Bond Ordinance.

"Escrow Agent" means, in each case, the escrow agent for each related series of Refunded Bonds.

"Escrow Agreement" means, in each case, the Escrow Deposit Agreement between the City and the Escrow Agent for each related series of Refunded Bonds.

"Event of Default" means any of the events defined as such in the "Events of Default and Remedies" article in the Bond Ordinance.

"Financial Advisor" means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is appointed by the City for the purpose of advising the City on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the City, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

"Fiscal Year" means the 12-month period used by the City for its general accounting purposes, as it may be changed from time to time.

"Fitch" means Fitch, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City. At the time the Bond Ordinance was adopted, the notice address of Fitch is One State Street Plaza, New York, New York 10004.

"Forecast Period" means a period of two consecutive Fiscal Years commencing with the Fiscal Year in which any proposed Senior Bonds are to be issued.

"Government Loans" means loans to the City by the government of the United States or the State, or by any department, authority or agency of either, for the purpose of acquiring, constructing, reconstructing, improving, bettering or extending any part of the System.

“Government Obligations” means (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged or (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, (i) are not subject to redemption or prepayment prior to maturity except at the option of the holder of such obligations and (ii) may include U.S. Treasury Trust Receipts.

“Hedge Agreement” means, without limitation, (i) any contract provided by a Qualified Hedge Provider known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract provided by a Qualified Hedge Provider providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract provided by a Qualified Hedge Provider to exchange cash flows or payments or series of payments; (iv) any type of contract provided by a Qualified Hedge Provider called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement provided by a Qualified Hedge Provider that the City determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty. Notwithstanding the foregoing, any Hedge Agreement must comply with the debt policy of the City.

“Hedge Contingency Payments” means amounts payable by the City out of the Revenue Fund pursuant to any Hedge Agreement as termination payments, fees, expenses and indemnity payments.

“Hedge Payments” means amounts payable by the City pursuant to any Hedge Agreement, other than Hedge Contingency Payments.

“Hedge Period” means the period during which a Hedge Agreement is in effect.

“Hedge Receipts” means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

“Hedged Bonds” means any Bonds for which the City shall have entered into a Hedge Agreement.

“Independent Certified Public Accountant” means a certified public accountant, or a firm of certified public accountants, who or which is “independent” as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to the City (but who or which may be regularly retained by the City).

“Interest Payment Date” means each date on which interest is to become due on any Bonds, as established in the Series Ordinance for such Bonds.

“Investment Earnings” means all interest received on and profits derived from investments of moneys in all funds and accounts of the City described in the “Funds and Accounts” section of the Bond Ordinance *other than* all funds and accounts established in connection with SRF Bonds under the bond ordinance authorizing such SRF Bonds.

"Maximum Annual Debt Service" means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City. At the time the Bond Ordinance was adopted, the notice address of Moody's is 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

"OPEB Obligations" means the amount to which the City's actual other post-employment benefits (OPEB) contributions are less than its OPEB cost, or expense for any Fiscal Year.

"Other System Obligations" means obligations of any kind, including but not limited to, Government Loans, general obligation bonds, capital leases, installment purchase agreements, or notes (but excluding Bonds and related obligations to Credit Facility Providers, Reserve Account Credit Facility Providers and Qualified Hedge Providers), incurred or issued by the City to finance or refinance the cost of acquiring, constructing, reconstructing, improving, equipping, bettering, or extending any part of the System.

"Outstanding" means, when used in reference to Bonds, all Bonds which have been duly authenticated and delivered under the Bond Ordinance, with the exception of (a) Bonds in lieu of which other Bonds have been issued under agreement to replace lost, mutilated, stolen, or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under the Bond Ordinance, and (c) Bonds for the payment of which provision has been made in accordance with the Bond Ordinance. In determining the amount of Capital Appreciation Bonds Outstanding under the Bond Ordinance, the Accreted Value of such Capital Appreciation Bonds at the time of determination shall be used.

"Paying Agent" means the paying agent selected from time to time by the Director of Finance.

"Payments Subaccount" means the subaccount by that name within the Sinking Fund Account established in the Bond Ordinance.

"Permitted Investments" means any of the following securities, if and to the extent the same are at the time legal for investment of the City's moneys held in the funds and accounts referred to in the "Pledged Revenues and Flow of Funds" article of the Bond Ordinance:

(a) United States Treasury Securities (Bills, Notes, Bonds and Strips). Obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(b) United States Agency Securities. Obligations issued or guaranteed by any agency, including government sponsored enterprises of the United States Government, which at the time of purchase have a liquid market and a readily determinable market value that are described as follows:

(i) U.S. Government Agency Coupon and Zero Coupon Securities.

(ii) U.S. Government Agency Discount Notes.

(iii) U.S. Government Agency Callable Securities. Restricted to securities callable at par only.

(iv) U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.

(v) U.S. Government Agency Floating Rate Securities. The coupon rate floats off of only one index. Restricted to coupons with no interim caps that reset at least quarterly.

(vi) U.S. Government Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than four (4) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.

(c) Repurchase Agreements. Contractual agreements between the City and commercial banks or primary government securities dealers, organized under the laws of the United States or any state, which contractual agreements are continuously and fully secured by any one or more of the securities described in paragraphs (a) and (b) above and which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreements. Securities acquired pursuant to repurchase agreements shall be valued at the lower of the current market value or the repurchase price thereof set forth in the repurchase agreement. The Securities Industry and Financial Markets Association's (or any successor association) guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreements shall result in transfer of legal title to identified securities that are segregated in a custodial or trust account for the benefit of the Paying Agent or delivered to the Paying Agent. Repurchase agreement transactions will be either physical delivery or tri-party.

(d) Bankers' Acceptances. Bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's or Standard & Poor's.

(e) Commercial Paper. Commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's or Standard & Poor's. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars ($500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase.

(f) Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard & Poor's or Moody's.

(g) Any full faith and credit obligations of any county in which the City is located rated AA or Aa2 by Standard & Poor's or Moody's.

(h) Any full faith and credit obligations of any school district in Kansas City, Missouri rated AA or Aa2 by Standard & Poor's or Moody's.

(i) Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated AA or Aa2 by Standard & Poor's or Moody's.

(j) Any municipal obligation as defined in (f), (g), (h) or (i) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.

(k) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by Moody's and Standard & Poor's (in either case without regard to any modifier).

(l) Such other investments not described above that are allowed pursuant to Missouri law and approved in the Charter.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investment.

"Person" or **"person"** means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, body, authority, government, or agency or political subdivision thereof.

"Pledged Bond" means any Bond purchased and held by a Credit Facility Provider pursuant to a Credit Facility Agreement. A Bond shall be deemed a Pledged Bond only for the actual period during which such Bond is owned by a Credit Facility Provider pursuant to a Credit Facility Agreement.

"Pledged Bond Rate" means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

"Principal" means (i) with respect to a Current Interest Bond, the principal amount of such Bond, and (ii) with respect to a Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond.

"Principal Maturity Date" means each date on which Principal is to become due on any Bonds, by maturity or mandatory sinking fund redemption, as established in the Series Ordinance for such Bonds.

"Project Fund" means the fund by that name established in the Bond Ordinance.

"Put Date" means any date on which a Bondholder may elect to have Balloon Bonds redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid.

"Qualified Hedge Provider" means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, meet the requirements of the City's debt policy which has been adopted pursuant to the City's Charter and State law. An entity's status as a **"Qualified Hedge Provider"** is determined only at the time the City enters into a Hedge Agreement with such entity and shall not be redetermined with respect to that Hedge Agreement.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or **"Rating Agency"** means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Bonds at the request of the City. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Bonds, then a reference to Rating Agency or Rating Agencies shall not include such Rating Agency.

"Rebate Account" means the account by that name established in the Bond Ordinance.

"Record Date" means, with respect to any semiannual Interest Payment Date, the 15th day of the calendar month immediately preceding such Interest Payment Date, and any record dates designated by the City in a Series Ordinance.

"Reimbursement Obligation" means the obligation of the City to directly reimburse any Credit Facility Provider for amounts paid by such Credit Facility Provider under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

“Renewal and Replacement Account” means the account by that name established in the Bond Ordinance.

“Replenishment Payments” shall have the meaning ascribed therefor in the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account.

“Reserve Account Credit Facility” means any letter of credit, insurance policy, line of credit, or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of the Bond Ordinance, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

“Reserve Account Credit Facility Agreement” means any agreement between the City and a Reserve Account Credit Facility Provider relating to the issuance of a Reserve Account Credit Facility, as such agreement may be amended from time to time.

“Reserve Account Credit Facility Provider” means any provider of a Reserve Account Credit Facility.

“Revenue Fund” means the fund by that name established in the Bond Ordinance.

“Senior Bonds” means any Bonds, including Senior SRF Bonds, issued with a right to payment and secured by a lien on a parity with other Senior Bonds (except with respect to any Credit Facility which may be available only to one or more series of Senior Bonds and except that Senior SRF Bonds shall not be secured by the Debt Service Reserve Subaccount) pursuant to the Bond Ordinance.

“Senior Hedge Agreements” means Hedge Agreements relating to Hedged Bonds which are Senior Bonds.

“Senior SRF Bonds” means SRF Bonds which are Senior Bonds.

“Series 2008A Bonds” means the Subordinate Water Revenue Bonds, Series 2008A issued in the original principal amount of $35,000,000 pursuant to Amended and Restated Committee Substitute for Ordinance No. 080279.

“Series 2008A Ordinance” means Amended and Restated Committee Substitute for Ordinance No. 080279, as amended from time to time, which authorized the Series 2008A Bonds.

“Series Ordinance” means a bond ordinance or bond ordinances of the City (which may be supplemented by one or more bond ordinances) to be adopted prior to and authorizing the issuance and delivery of any series of Bonds, including the Series 2008A Ordinance. Such a bond ordinance as supplemented shall establish the date or dates of the pertinent series of Bonds, the schedule of maturities of such Bonds, whether any such Bonds will be Capital Appreciation Bonds, the name of the purchaser(s) of such series of Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Bonds, the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Bonds, and such other details as the City may determine.

“Sinking Fund Account” means the account by that name established in the Bond Ordinance.

“SRF Bonds” means such Bonds or other obligations issued in connection with the City’s participation in the Missouri State Revolving Fund Program of the Missouri Department of Natural Resources and the State Environmental Improvement and Energy Resources Authority, which SRF Bonds may be Senior SRF Bonds or Subordinate SRF Bonds.

“Standard & Poor’s” or **“S&P”** means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City. At the time the Bond Ordinance was adopted, the notice address of Standard & Poor’s is 25 Broadway, New York, New York 10004.

“State” means the State of Missouri.

“Subordinate Bonds” means Bonds, including Subordinate SRF Bonds and the Series 2008A Bonds, issued with a right to payment from the Pledged Revenues and secured by a lien on the Pledged Revenues expressly junior and subordinate to the Senior Bonds.

“Subordinate Hedge Agreements” means Hedge Agreements relating to Hedged Bonds which are Subordinate Bonds.

“Subordinate SRF Bonds” means SRF Bonds which are Subordinate Bonds.

“Supplemental Ordinance” means (a) any Series Ordinance and (b) any modification, amendment, or supplement to the Bond Ordinance other than a Series Ordinance.

“Surplus Account” means the account by that name established in the Bond Ordinance.

“System” means the entire waterworks plant and system owned and operated by the City for the production, storage, treatment and distribution of water, to serve the needs of the City and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the City. At the discretion of the City there may be excluded from the System facilities which are hereafter constructed or acquired, connected or separate from the System, which are not financed with the proceeds of revenue bonds payable from the revenues of the System, and for which the City maintains separate and distinct operations, facilities and records, and which if connected to the System are billed for System use as a customer of the System in accordance with the ordinances and regulations of the City.

“Tax-Exempt Bonds” means any Bonds the interest on which has been determined, in an opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

“Term Bonds” means Bonds which mature on one Principal Maturity Date yet a portion of which are required to be redeemed, prior to maturity, under a schedule of mandatory redemptions established by the Bond Ordinance.

“Underwriter” means the underwriter(s) specified in the Series Ordinance authorizing a series of Bonds.

“U.S. Treasury Trust Receipts” means receipts or certificates which evidence an undivided ownership interest in the right to the payment of portions of the principal of or interest on obligations described in clauses (a) or (b) of the term Government Obligations, provided that such obligations are held by a bank or trust company organized under the laws of the United States acting as custodian of such obligations, in a special account separate from the general assets of such custodian.

“Variable Rate” means a rate of interest applicable to Bonds, other than a fixed rate of interest which applies to a particular maturity of Bonds, so long as that maturity of Bonds remains Outstanding.

SUMMARY OF BOND ORDINANCE

The following is a summary of certain provisions contained in the Bond Ordinance. The following is not a comprehensive description, and is qualified in its entirety by reference to the Bond Ordinance for a complete recital of the terms thereof.

Authorization and Form of Bonds Generally

The Bonds authorized under the Bond Ordinance may be issued and sold from time to time in one or more series, shall be designated "City of Kansas City, Missouri Water Revenue Bonds," and shall be in substantially the form set forth in the related Series Ordinance, but such variations, omissions, substitutions, and insertions may be made therein, and such particular series designation, legends, or text may be endorsed thereon, as may be necessary or appropriate to conform to and as required or permitted by the Bond Ordinance and any Series Ordinance or as may be necessary or appropriate to comply with applicable requirements of the Code. The Bonds also may bear such legend or contain such further provisions as may be necessary to comply with or conform to the rules and requirements of any brokerage board, securities exchange, or municipal securities rulemaking board.

Senior Bonds may be issued from time to time as provided in, and subject to the limitations set forth in, the Bond Ordinance. Subordinate Bonds may be issued from time to time as provided in, and subject to the limitations set forth in, the Bond Ordinance section describing Subordinate Bonds.

Unless otherwise provided in a Series Ordinance, each Bond authenticated prior to the first Interest Payment Date thereon shall bear interest from its dated date. Each Bond authenticated on or after the first Interest Payment Date thereon shall bear interest from the Interest Payment Date thereon next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on such Bond has been paid in full or duly provided for, in which case from such date of authentication; provided that if, as shown by the records of the Paying Agent, interest on such Bond shall be in default, such Bond shall bear interest from the date to which interest has been paid in full on such Bond or, if no interest has been paid on such Bond, its dated date. Each Bond shall bear interest on overdue Principal at the rate borne by such Bond until the Principal balance thereof is paid in full.

Unless otherwise provided in a Series Ordinance, the Bonds shall be issued in fully registered form in the denomination of $5,000 each or integral multiples thereof and shall be dated as provided in the pertinent Series Ordinance, except that any Auction Rate Bonds shall be issued in the denomination of $5,000 and integral multiples thereof, Capital Appreciation Bond shall be issued in the denomination of $5,000 maturity amount or integral multiples thereof and any Bonds bearing interest at a Variable Rate may be issued in the denomination of $100,000 each or integral multiples of $5,000 in excess thereof.

The Principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

The Bonds and the Bond Registrar's Certificate of Authentication shall be in substantially the form set forth in the Series Ordinance pursuant to which such series of Bonds are issued.

Nonpresentment of Bonds

If any Bond is not presented for payment when the Principal thereof becomes due at maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent, all liability of the City to the registered owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the registered owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Ordinance or on, or with respect to, said Bond. If any Bond is not presented for payment within two years following the date when such Bond becomes due at maturity, the Paying Agent shall repay to the City the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the registered owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption Among Series

Subject to the redemption provisions of any Series Ordinance, the City in its discretion may redeem the Bonds of any series, or a portion of the Bonds of any such series, before it redeems the Bonds of any other series. Within any particular series, any redemption of Bonds shall be effected in the manner provided in the Bond Ordinance and in any Series Ordinance.

Selection of Bonds to be Redeemed

If less than all of the Bonds of like maturity of any series shall be called for redemption, the particular Bonds, or portions of Bonds, to be redeemed shall be selected by the City. The portion of any Bond of a denomination of more than $5,000 to be redeemed shall be in the Principal amount of $5,000 or an integral multiple of $5,000 in excess thereof, and, in selecting portions of such Bonds for redemption, the City shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by $5,000; provided, however, that with respect to Variable Rate Bonds, the portion of any such Bond of a denomination of more than $100,000 to be redeemed shall be in the Principal amount of $100,000 or an integral multiple of $5,000 in excess thereof, and, in selecting portions of such Bonds for redemption, the City shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by $100,000 or $5,000 or an integral multiple of $5,000 in excess thereof, and with respect to Auction Rate Bonds the portion of any such Bond of a denomination of more than $5,000 to be redeemed shall be in the Principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Bonds for redemption, the City shall treat each such Bond as representing that number of Bonds which is obtained by dividing the Principal of such Bond to be redeemed in part by $5,000 or an integral multiple thereof.

Purchase in Open Market

Nothing herein contained shall be construed to limit the right of the City to purchase with any excess moneys in the Payments Subaccount (i.e., moneys not needed in the then current Fiscal Year to pay Principal of and interest on any Senior Bonds) and for Sinking Fund Account purposes, any Senior Bonds in the open market at a price not exceeding the callable price. Any such Senior Bonds so purchased shall not be reissued and shall be cancelled.

Pledge of Revenues; Limited Obligations

Subject only to the rights of the City to apply amounts as provided in the "Pledged Revenues and Flow of Funds" article of the Bond Ordinance and to applicable provisions of law, all Pledged Revenues shall be and are pledged to the prompt payment of the Principal of, premium, if any, and interest on the Bonds. Such moneys and securities shall immediately be subject to the lien of this pledge for the benefit of the Bondholders without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding against the City and against all other persons having claims against the City, whether such claims shall have arisen in tort, contract, or otherwise, and regardless of whether such persons have notice of the lien of this pledge. This pledge shall rank superior to all other pledges which may hereafter be made of any of the Pledged Revenues, except for pledges of the Pledged Revenues hereafter made by the City in the Hedge Agreements to secure Hedge Payments, which may rank on a parity with this pledge as to the related Hedged Bonds. The lien of the pledge does not secure any obligation of the City other than the Bonds.

The Bonds shall be limited obligations of the City as provided therein payable solely from the Pledged Revenues. The Bonds and the interest thereon shall not constitute a general or moral obligation of the City nor a debt, indebtedness, or obligation of, or a pledge of the faith and credit of, the City or the State or any political subdivision thereof, within the meaning of any constitutional, statutory or charter provision whatsoever. Neither the full faith and credit nor the taxing power of the City, the State, or any political subdivision thereof is pledged to the payment of the Principal of, premium, if any, or interest on the Bonds or other costs incident thereto. The City has no authority to levy any taxes to pay the Bonds. Neither the members of the Council nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

Funds and Accounts

The City establishes or ratifies the establishment of the following funds and accounts, and the moneys deposited in such funds and accounts shall be held in trust for the purposes set forth in the Bond Ordinance:

City of Kansas City, Missouri Waterworks Revenue Fund (the **"Revenue Fund"**).

City of Kansas City, Missouri Waterworks Sinking Fund Account in the Revenue Fund (the **"Sinking Fund Account"**), and within said Sinking Fund Account, a Payments Subaccount and a Debt Service Reserve Subaccount.

City of Kansas City, Missouri Waterworks Renewal and Replacement Account in the Revenue Fund (the **"Renewal and Replacement Account"**).

City of Kansas City, Missouri Waterworks Rebate Account in the Revenue Fund (the **"Rebate Account")**.

City of Kansas City, Missouri Waterworks Project Fund (the **"Project Fund"**).

City of Kansas City, Missouri Waterworks Surplus Account in the Revenue Fund (the **"Surplus Account"**).

Each account listed above shall be held within the fund under which it is created. The City reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

Revenue Fund

The City shall deposit and continue to deposit into the Revenue Fund all Operating Revenues and any extraordinary revenues from the sale of assets not in the ordinary course of business, from time to time as and when received. Moneys in the Revenue Fund shall be applied by the City from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the following order of priority:

(1) to pay Expenses of Operation and Maintenance;

(2) to deposit into the Sinking Fund Account the amounts required by the Bond Ordinance;

(3) to deposit into the Rebate Account the amounts required by the Bond Ordinance;

(4) to make Replenishment Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account, and to pay to any Credit Facility Provider any amounts due under a Credit Facility Agreement, including Additional Interest;

(5) to pay any amounts due any Reserve Account Credit Facility Provider pursuant to the Reserve Account Credit Facility Agreement;

(6) to make Accumulation Payments to the Debt Service Reserve Subaccount in accordance with the Bond Ordinance section describing the Debt Service Reserve Subaccount within the Sinking Fund Account**;**

(7) to deposit the amounts required to be deposited into the funds and accounts created by any Series Ordinance authorizing the issuance of Subordinate Bonds, for the purpose of paying Principal of (whether at maturity, upon mandatory redemption or as otherwise required by a Series Ordinance relating to Subordinate SRF Bonds) and interest on Subordinate Bonds, making Hedge Contingency Payments under Senior Hedge Agreements, making Hedge Payments and making Hedge Contingency Payments under Subordinate Hedge Agreements, and accumulating reserves for such payments;

(8) to pay any amounts required to be paid with respect to any Other System Obligations, subject to annual appropriation;

(9) to pay Administrative Service Fees;

(10) to deposit to the Renewal and Replacement Account an amount determined by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the City Council, as may be amended from time to time, to be applied in accordance with the Bond Ordinance Section describing the Renewal and Replacement Account; and

(11) to deposit any remaining amount in the Surplus Account.

Any money withdrawn from the funds and accounts described in clause (7) above for use in making payments described in said clause (7) shall be released from the lien of the Bond Ordinance. If at any time the amounts in any account of the Sinking Fund Account are less than the amounts required by the Bond Ordinance, and there are not on deposit in the Renewal and Replacement Account or the Surplus Account available moneys sufficient to cure any such deficiency, then the City shall withdraw from the funds and accounts of the City relating to Subordinate Bonds which are not Subordinate SRF Bonds and deposit in such account of the Sinking Fund Account, as the case may be, the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency.

Sinking Fund Account

Payments Subaccount-General. Sufficient moneys shall be paid in periodic installments from the Revenue Fund into the Payments Subaccount for the purpose of paying the Principal of and interest (excluding Additional Interest) on the Senior Bonds as they become due and payable and for the purpose of making Hedge Payments under Senior Hedge Agreements. Amounts held in the Payments Subaccount shall be used solely to pay interest (excluding Additional Interest) and Principal of the Senior Bonds as the same become due and payable (whether at maturity or upon redemption) and to pay Hedge Payments under Senior Hedge Agreements when due. Amounts held in the Payments Subaccount shall not be used to pay Additional Interest.

Interest. Except as otherwise provided in any Series Ordinance authorizing Senior SRF Bonds, on or before the first day of each month, commencing 6 months prior to each Interest Payment Date for Senior

Bonds, the City shall deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment and, in the case of Senior SRF Bonds, anticipated investment earnings on reserve funds held by a bond trustee relating to such Senior SRF Bonds, is not less than $1/6^{th}$ of the amount of interest (excluding Additional Interest) coming due on such Senior Bonds on the next succeeding Interest Payment Date. In the case of Senior Bonds that are Auction Rate Bonds or are bearing interest at a Variable Rate, the City shall on or before the Business Day preceding each Interest Payment Date deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the amount of interest due on such Interest Payment Date. The City shall also deposit and continue to deposit all Hedge Receipts under Senior Hedge Agreements in the Payments Subaccount from time to time as and when received.

Principal. Except as otherwise provided in any Series Ordinance authorizing Senior SRF Bonds, on or before the first day of each month, commencing 12 months prior to each Principal Maturity Date for Senior Bonds, the City shall deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than $1/12^{th}$ of the Principal coming due on such Senior Bonds on the next succeeding Principal Maturity Date.

Hedge Payments. On or before the 30th day preceding each payment date for Hedge Payments under Senior Hedge Agreements, the City shall deposit in the Payments Subaccount an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than such Hedge Payments coming due on such payment date.

Application of Moneys in Payments Subaccount. No further payments need be made into the Payments Subaccount whenever the amount available in the Payments Subaccount, if added to the amount then in the Debt Service Reserve Subaccount (without taking into account any amount available to be drawn on any Reserve Account Credit Facility), is sufficient to retire all Senior Bonds then Outstanding and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in the Payments Subaccount shall be used or applied to the optional purchase or redemption of Senior Bonds prior to maturity unless: (i) provision shall have been made for the payment of all of the Senior Bonds; or (ii) such moneys are applied to the purchase and cancellation of Senior Bonds which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Senior Bonds are purchased at a price not more than would be required for mandatory redemption, and such Senior Bonds are cancelled upon purchase; or (iii) such moneys are applied to the purchase and cancellation of Senior Bonds at a price less than the amount of Principal which would be payable on such Senior Bonds, together with interest accrued through the date of purchase, and such Senior Bonds are cancelled upon purchase; or (iv) such moneys are in excess of the then required balance of the Payments Subaccount and are applied to redeem a part of the Senior Bonds Outstanding on the next succeeding redemption date for which the required notice of redemption may be given.

Debt Service Reserve Subaccount. There shall be deposited into the Debt Service Reserve Subaccount the amounts specified in Series Ordinances with respect to Senior Bonds. Notwithstanding the foregoing, there shall be no deposit into the Debt Service Reserve Subaccount with respect to any SRF Bonds nor shall the Debt Service Reserve Subaccount secure any SRF Bonds. After the issuance of any Senior Bonds, the increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of such Senior Bonds shall be accumulated, to the extent not covered by deposits from Bond proceeds or funds on hand, over a period not exceeding 61 months from the date of delivery of such Senior Bonds in monthly deposits ("Accumulation Payments"), none of which is less than 1/60 of the amount to be accumulated. The balance of the Debt Service Reserve Subaccount shall be maintained at an amount equal to the Debt Service Reserve Requirement (or such lesser amount that is required to be accumulated in the Debt Service Reserve Subaccount in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Senior Bonds or upon the failure of the City to provide a substitute Reserve Account Credit Facility in certain events). There shall be transferred from the Revenue Fund on a pro rata basis (1) to the Debt Service Reserve Subaccount the amount necessary to restore, as further described below, the amount of cash and securities in the Debt Service Reserve Subaccount to an amount equal to the difference between (a) the Debt Service Reserve Requirement (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Subaccount after the issuance of Senior Bonds or upon the failure of the City to provide a substitute Reserve Account Credit Facility in certain events) and (b) the portion of the required balance of the Debt Service Reserve Subaccount satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down.

Whenever for any reason the amount in the Payments Subaccount is insufficient to pay all interest or Principal becoming due on the Senior Bonds and all Hedge Payments coming due pursuant to Senior Hedge Agreements within the next seven days (or, in the case of Senior Bonds that are Auction Rate Bonds or are bearing interest at a Variable Rate, on the next Business Day), the City shall make up any deficiency by transfers *first* from the Surplus Account, *second* from the Renewal and Replacement Account and *third* from the funds and accounts of the City relating to Subordinate Bonds which are not Subordinate SRF Bonds. Whenever, on the date that such interest, Principal or Hedge Payments on Senior Hedge Agreements is due, there are insufficient moneys in the Payments Subaccount available to make such payment, the City shall, without further instructions, apply so much as may be needed of the moneys in the Debt Service Reserve Subaccount to prevent default in the payment of such interest, Principal or Hedge Payments on Senior Hedge Agreements, with priority to interest payments. Whenever by reason of any such application or otherwise (other than required Accumulation Payments), the amount remaining to the credit of the Debt Service Reserve Subaccount is less than the amount then required to be in the Debt Service Reserve Subaccount, such deficiency shall be remedied in not more than twenty-four (24) equal monthly deposits (**"Replenishment Payments"**) from the Revenue Fund, commencing not later than the first day of the month immediately succeeding the date when the amount then required to be in the Debt Service Reserve Subaccount dropped below the Debt Service Reserve Requirement.

The City may elect to satisfy in whole or in part the Debt Service Reserve Requirement by means of a Reserve Account Credit Facility, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must, at the time of issuance, have a Rating of one of the three highest rating categories by a Rating Agency; (B) the City shall not secure any obligation to the Reserve Account Credit Facility Provider by a lien equal to or superior to the lien granted to the related series of Senior Bonds; (C) each Reserve Account Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Senior Bonds) and shall entitle the City to draw upon or demand payment and receive the amount so requested in immediately available funds on the date of such draw or demand; (D) the Reserve Account Credit Facility shall permit a drawing by the City for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Senior Bonds, and (ii) the City fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Subaccount of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if all of the Ratings issued by any Rating Agency to the Reserve Account Credit Facility Provider are withdrawn or reduced below the third highest rating category of any Rating Agency, the City shall provide a substitute Reserve Account Credit Facility rated in one of the three highest rating categories by any Rating Agency, within sixty (60) days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than thirty-six (36) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; (F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the City shall provide a substitute Reserve Account Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than thirty-six (36) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; and (G) the prior written consent of the Credit Facility Provider, as to the provider and the structure of the Reserve Account Credit Facility, shall be obtained by the City. If the events described in either clauses (E) or (F) above occur, the City shall not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amount received from a draw on the Reserve Account Credit Facility shall be deposited directly into the Payments Subaccount, and such deposit shall constitute the application of amounts in the Debt Service Reserve Subaccount. Repayment of any draw-down on the Reserve Account Credit Facility (other than repayments which reinstate the Reserve Account Credit Facility) and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility shall be secured by a lien on the Pledged Revenues subordinate to payments into the Sinking Fund Account and the Rebate Account and payments to any Credit Facility Provider securing Senior Bonds.

Any such Reserve Account Credit Facility shall be pledged to the benefit of the owners of all of the Senior Bonds and all Qualified Hedge Providers of Senior Hedge Agreements. The City reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Bond Ordinance without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment shall not, in the written opinion of Bond Counsel filed with the City, impair or reduce the security granted to the owners of Senior Bonds or any of them.

Renewal and Replacement Account

Except as otherwise provided in this section, all sums accumulated and retained in the Renewal and Replacement Account shall be used to meet the costs of capital improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System, and such sums may be encumbered by an estimation and appropriation ordinance of the City Council to accomplish the same. All unencumbered sums accumulated and retained in the Renewal and Replacement Account, if any, shall be used first to prevent a default in the payment of interest on or Principal of the Senior Bonds when due and then shall be applied by the City from time to time, as and when the City shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City in its sole discretion: (a) to maintain and improve the System as described above and (b) to pay Principal of and Interest on Bonds and Other System Obligations. No moneys credited to the Renewal and Replacement Account shall ever be directed or applied to the general governmental or municipal functions of the City so long as any of the Bonds remain Outstanding. The total amount of money credited to the Renewal and Replacement Account shall not exceed the maximum amount established by the Operating and Capital Reserves Policy approved by the Water Services Department and the City Council, as may be amended from time to time.

Surplus Account

In addition to the deposits to be made to the Surplus Account pursuant to the Bond Ordinance section describing the Revenue Fund, the City shall deposit in the Surplus Account all termination payments received under any Hedge Agreements. All sums accumulated and retained in the Surplus Account shall be used first to prevent a default in the payment of interest on or Principal of the Senior Bonds when due and then shall be applied by the City from time to time, as and when the City shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under the Bond Ordinance section describing the Revenue Fund, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including termination payments, fees, expenses, and indemnity payments), (c) to pay any governmental charges and assessments against the System or any part thereof which may then be due and owing, (d) to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the System deemed necessary by the City (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), (e) to acquire Senior Bonds by redemption or by purchase in the open market at a price not exceeding the callable price as provided and in accordance with the terms and conditions of the Bond Ordinance, which Senior Bonds may be any of the Senior Bonds, prior to their respective maturities, and when so used for such purposes the moneys shall be withdrawn from the Surplus Account and deposited into the Payments Subaccount for the Senior Bonds to be so redeemed or purchased and (f) for any other purpose of the City. Payments for the purposes set forth in clause (e) of the preceding sentence are not “required payments” described in the Rate Covenant section of the Bond Ordinance. No moneys credited to the Surplus Account shall ever be directed or applied to the general governmental or municipal functions of the City so long as any of the Bonds remain Outstanding.

Deposits and Security of Funds and Accounts

All moneys in the funds and accounts established under the Bond Ordinance, except those funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, shall be held by the City in one or more Depositories qualified for use by the City. Uninvested moneys shall, at least to the extent not guaranteed by the Federal Deposit Insurance Corporation, be secured to the fullest extent required by the laws of the State for the security of public funds.

Investment of Moneys

Moneys in the funds and accounts established under the Bond Ordinance, except those funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, shall be invested and reinvested in Permitted Investments bearing interest at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under Section 148 of the Code) and containing such maturities as are deemed suitable by the City; provided, however, that without the prior written consent of the Credit Facility Provider, investments of moneys in the Debt Service Reserve Subaccount shall not have maturities extending beyond five years. Investment of moneys in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds shall be as set forth in such Series Ordinance.

Unless otherwise specified in a Series Ordinance authorizing the issuance of a series of Bonds, Investment Earnings in each fund and account (except the Debt Service Reserve Subaccount) shall be retained therein. Investment Earnings from the investment of moneys in the Debt Service Reserve Subaccount shall be retained in the Debt Service Reserve Subaccount at all times the balance is less than the Debt Service Reserve Requirement; thereafter and at all times the balance of the Debt Service Reserve Subaccount is equal to or greater than the Debt Service Reserve Requirement, such Investment Earnings shall be deposited in the Payments Subaccount.

The Series Ordinance authorizing the issuance of any Subordinate Bonds shall specify any maturity limitations and allocations of Investment Earnings on investments of moneys in the funds and accounts relating to such Subordinate Bonds.

Moneys in each of such funds shall be accounted for as a separate and special fund apart from all other City funds, provided that investments of moneys therein may be made in a pool of investments together with other moneys of the City so long as sufficient Permitted Investments in such pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions.

Valuation of Investments

All investments made under the Bond Ordinance shall, for purposes of the Bond Ordinance, be valued at fair market value on the 45th day (or the next succeeding Business Day if such 45th day is not a Business Day) prior to each Interest Payment Date. The valuation of the investment of moneys in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds shall be as set forth in such Series Ordinance.

Disposition of Moneys After Payment of Bonds

Any amounts remaining in any fund or account established under the Bond Ordinance after payment in full of the Principal of, redemption premium, if any, and interest on the Bonds (or after provision for payment thereof has been made), the fees, charges, and expenses of the Paying Agent and Bond Registrar, all amounts owing to any Credit Facility Provider, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider, and all other amounts required to be paid under the Bond Ordinance (including amounts required to be paid into the Rebate Account), shall be promptly paid to the City. All amounts remaining in funds and accounts created by a Series Ordinance in connection with the issuance of SRF Bonds, after the payment in full thereof as provided in such Series Ordinance, shall be paid as set forth in such Series Ordinance.

No Prior Lien Bonds nor Senior Bonds Except as Permitted in the Bond Ordinance

All Senior Bonds shall have complete parity of lien on the Pledged Revenues despite the fact that any of the Senior Bonds may be delivered at an earlier date than any other of the Senior Bonds. The City may issue Senior Bonds in accordance with the Bond Ordinance, but the City shall issue no other obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues or any part thereof having priority over or, except as permitted in the Bond Ordinance, on a parity with the Senior Bonds.

Refunding Bonds

Any or all of the Senior Bonds may be refunded prior to maturity, upon redemption in accordance with their terms, or with the consent of the owners of such Senior Bonds, and the refunding Bonds so issued shall constitute Senior Bonds, if:

The City shall have obtained a report from an Independent Certified Public Accountant or a Financial Advisor demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Bonds on a present value basis.

As an alternative to, and in lieu of, satisfying the report requirements above, all Outstanding Senior Bonds are being refunded under arrangements which immediately result in making provision for the payment of the refunded Bonds.

The requirements of a certificate from the Director of Finance or the Director of Water Services and an opinion of Bond Counsel as described in the Bond Ordinance are met with respect to such refunding Bonds.

Subordinate Bonds

Bonds may also be issued on a subordinate basis to the Senior Bonds pursuant to a Series Ordinance, and the Bonds so issued shall constitute Subordinate Bonds, if all of the following conditions are satisfied:

(a) There shall have been filed with the City either:

(1) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the historical Net Operating Revenues, adjusted to exclude any revenues or expenses resulting from a gain or loss, or mark-to-market change to any Hedge Agreement, for the most recent available annual audit for the Fiscal Year prior to the issuance of the proposed Subordinate Bonds were equal to at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds, or

(2) a report by a Consulting Engineer or an Independent Certified Public Accountant to the effect that the forecasted Net Operating Revenues for each Fiscal Year in the Forecast Period are expected to equal at least (i) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds and (ii) 115% of the Maximum Annual Debt Service Requirement on all Bonds which will be Outstanding immediately after the issuance of the proposed Subordinate Bonds.

The report that is required by (a)(1) may contain pro forma adjustments to historical Net Operating Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services, facilities, and commodities furnished by the System, adopted prior to the date of delivery of the proposed Subordinate Bonds and not fully reflected in the historical Net Operating Revenues actually received during the most recent Fiscal Year for which an annual audit is available. Such pro forma adjustments shall be based upon a report of a Consulting Engineer as to the amount of Operating Revenues which would have been received during such period had the new rate schedule been in effect throughout such period.

The report that is required by (a)(2) may **not** take into consideration any rate schedule to be imposed in the future, unless such rate schedule has been adopted by ordinance of the Council. Such rate schedule adopted by ordinance may contain, however, future effective dates.

For any Fiscal Year of less than 12 months the preceding calculations may be adjusted to reflect a Maximum Annual Debt Service Requirement that is prorated over the actual number of months in such Fiscal Year.

The Series Ordinance authorizing the Subordinate Bonds shall provide that such Subordinate Bonds shall be junior and subordinate in lien and right of payment to all Senior Bonds Outstanding at any time.

The Series Ordinance authorizing the Subordinate Bonds shall establish funds and accounts for the moneys to be used to pay debt service on the Subordinate Bonds, to pay Hedge Payments under Subordinate Hedge Agreements, and to provide reserves therefor.

The requirements of the Bond Ordinance regarding use of proceeds for capital improvements of the system, certificate of either the Director of Finance or the Director of Water Services and an opinion of Bond Counsel are met with respect to such Subordinate Bonds (as if such Bonds constituted Senior Bonds).

In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the City or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the City, whether or not involving insolvency or bankruptcy, the owners of all Senior Bonds then Outstanding and related Qualified Hedge Providers shall be entitled to receive payment in full of all Principal and interest due on all such Senior Bonds in accordance with the provisions of the Bond Ordinance and related Hedge Payments in accordance with the provisions of the Senior Hedge Agreements before the owners of the Subordinate Bonds or related Qualified Hedge Providers are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance on account of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements.

In the event that any of the Subordinate Bonds are declared due and payable before their expressed maturities because of the occurrence of an Event of Default (under circumstances when the provisions of the previous paragraph are not be applicable), no owners of Subordinate Bonds or related Qualified Hedge Providers may receive any accelerated payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements, until the owners of all Senior Bonds

Outstanding and related Qualified Hedge Providers have received timely payments when due of all Principal of and interest on all such Senior Bonds and all Hedge Payments under related Senior Hedge Agreements.

If any Event of Default shall have occurred and be continuing (under circumstances when the provisions of the paragraph above, regarding insolvency or bankruptcy proceedings, are not applicable), the owners of all Senior Bonds then Outstanding and related Qualified Hedge Providers shall be entitled to receive payment in full of all Principal and interest then due on all such Senior Bonds and all Hedge Payments under related Senior Hedge Agreements before the owners of the Subordinate Bonds or related Qualified Hedge Providers are entitled to receive any Payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Bond Ordinance of Principal of, premium, if any, or interest on the Subordinate Bonds or Hedge Payments under Subordinate Hedge Agreements.

No owner of Senior Bonds or any related Qualified Hedge Provider shall be prejudiced in its right to enforce subordination of the Subordinate Bonds and Subordinate Hedge Agreements by any act or failure to act on the part of the City.

The obligations of the City to pay to the owners of the Subordinate Bonds the Principal of, premium, if any, and interest thereon in accordance with their terms and to pay Hedge Payments to related Qualified Hedge Providers in accordance with the terms of the Subordinate Hedge Agreements shall be unconditional and absolute. Nothing in the Bond Ordinance shall prevent the owners of the Subordinate Bonds or related Qualified Hedge Providers from exercising all remedies otherwise permitted by applicable law or under the Bond Ordinance or the Subordinate Hedge Agreements upon default thereunder, subject to the rights contained in the Bond Ordinance of the owners of Senior Bonds and related Qualified Hedge Providers to receive cash, property, or securities otherwise payable or deliverable to the owners of the Subordinate Bonds and related Qualified Hedge Providers, and any Series Ordinance authorizing Subordinate Bonds may provide that, insofar as a trustee or paying agent for the Subordinate Bonds is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the Principal of, premium, if any, and interest on such Subordinate Bonds and Hedge Payments under Subordinate Hedge Agreements if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any series of Subordinate Bonds and related Subordinate Hedge Agreements may have such rank or priority with respect to any other series of Subordinate Bonds and related Subordinate Hedge Agreements as may be provided in the Series Ordinance authorizing such series of Subordinate Bonds and may contain such other provisions as are not in conflict with the provisions of the Bond Ordinance.

Accession of Subordinate Bonds and Related Subordinate Hedge Agreements to Senior Status

By proceedings authorizing all or any Subordinate Bonds, the City may provide for the accession of such Subordinate Bonds and related Subordinate Hedge Agreements to the status of parity with the Senior Bonds and related Senior Hedge Agreements if, as of the date of accession, the conditions of various sections of the Bond Ordinance requiring a report, certificate and opinion of Bond Counsel are satisfied, on a basis which includes all Outstanding Senior Bonds and such Subordinate Bonds, and if on the date of accession:

The Debt Service Reserve Subaccount contains an amount equal to the Debt Service Reserve Requirement computed on a basis which includes all Outstanding Senior Bonds and such Subordinate Bonds (but which excludes, in the case of both Outstanding Senior Bonds and such Subordinate Bonds, any SRF Bonds); and

The Payments Subaccount contains the amount which would have been required to be accumulated therein on the date of accession if the Subordinate Bonds had originally been issued as Senior Bonds.

Proceedings Authorizing Additional Bonds

No Series Ordinance authorizing the issuance of additional Bonds shall conflict with the terms and conditions of the Bond Ordinance, except to the extent that the Series Ordinance is adopted for one of the purposes set forth in the Bond Ordinance section regarding Supplemental Ordinances not requiring consent of Bondholders and complies with the provisions of such section for the adoption of Supplemental Ordinances without the consent of Bondholders.

Credit Facilities and Hedge Agreements

In connection with the issuance of any Bonds under the Bond Ordinance, the City may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Facility Provider, or providing funds for the purchase of such Bonds by the City. In connection therewith the City shall enter into Credit Facility Agreements with such Credit Facility Providers providing for, among other things, (i) the payment of fees and expenses to such Credit Facility Providers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The City may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the City in the applicable Series Ordinance. The City may in a Credit Facility Agreement agree to directly reimburse such Credit Facility Provider for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall be created for purposes of the Bond Ordinance until amounts are paid under such Credit Facility. Any such Reimbursement Obligation shall be deemed to be a part of the Bonds to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to Principal and interest payments with respect to such Bonds shall include Principal and interest (except for Additional Interest and Principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility. All other amounts payable under the Credit Facility Agreement (including any Additional Interest and Principal amortization requirements with respect to the Reimbursement obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) shall be fully subordinate to the payment of debt service on the related class of Bonds. Any such Credit Facility shall be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Series Ordinance.

In connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the City may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds. The City shall authorize the execution, delivery, and performance of each Hedge Agreement in a Supplemental Ordinance, in which it shall designate the related Hedged Bonds. The City's obligation to pay Hedge Payments may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created to secure the related Hedged Bonds, or may be subordinated in lien and right of payment to the payment of the Bonds, as determined by the City.

Other Obligations

The City expressly reserves the right, at any time, to adopt one or more other bond ordinances and reserves the right, at any time, to issue any other obligations not secured by the amounts pledged under the Bond Ordinance.

Maintenance of the System in Good Condition

The City covenants that it will enforce reasonable rules and regulations governing the System and the operation thereof, that it will operate the System in an efficient and economical manner and will at all times maintain the System in good repair and in sound operating condition, that it will make all necessary repairs, renewals, and replacements to the System, and that it will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the System and the City's operation thereof.

Insurance

With respect to the System, the City will carry adequate public liability, fidelity and property insurance, such as is maintained by similar utilities as the System.

The City shall indemnify itself against the usual hazards incident to the construction of any Project, and without in any way limiting the generality of the above, shall: (a) require each construction contractor and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contracts; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the Project adequate compensation insurance for all of their employees and adequate public liability and property damage insurance for the full and complete protection of the City from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

All such policies shall be for the benefit of and made payable to the City and shall be on deposit with the City; provided, however, the City may elect to be a self-insurer with respect to any risks for which insurance is required under this section. The cost of such insurance may be paid as an Expense of Operation and Maintenance.

All moneys received for losses under any such insurance policies, except public liability policies, are hereby pledged by the City as security for the Bonds until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed or by depositing the same in the Renewal and Replacement Account. Adequate provision for making good such loss and damage shall be made within 120 days from the date of the loss. Insurance proceeds not used in making such provision shall be deposited in the Surplus Account on the expiration of such 120-day period. Such insurance proceeds shall be payable to the City by appropriate clause to be attached to or inserted in the policies.

No Sale, Lease or Encumbrance; Exceptions

Except as expressly permitted in the Bond Ordinance, the City irrevocably covenants, binds, and obligates itself not to sell, lease, encumber, or in any manner dispose of the System as a whole or in part until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the article of the Bond Ordinance describing defeasance.

The City shall have and hereby reserves the right to sell, lease, or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (i) such property is not necessary for the operation of the System; (ii) such property is not useful in the operation of the System; (iii) such property is not profitable in the operation of the System; or (iv) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Bondholders. Other than as set forth in the Bond Ordinance section regarding the Revenue Fund, all proceeds of any such sale, lease or other disposition shall be deposited in the Surplus Account.

Prior to any such sale, lease or other disposition, there shall be filed with the City: (i) an opinion of Bond Counsel to the effect that such sale, lease or other disposition will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes (provided that such opinion shall not be required if the Director of Water Services determines that such portion of the System was not financed with the proceeds of any Tax-Exempt Bonds); and (ii) an opinion of a Consulting Engineer or an Independent Certified Public Accountant expressing the view that such sale, lease or other disposition will not result in any diminution of Net Operating Revenues to the extent that in any future Fiscal Year the Net Operating Revenues will be less than (A) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds to be Outstanding after such sale, lease or other disposition or (B) 115% of the Maximum Annual Debt Service Requirement on all Bonds and Other System Obligations to be Outstanding after such sale, lease or other disposition. In reaching this conclusion, the Consulting Engineer or the Independent Certified Public Accountant, as applicable, shall take into consideration such factors as he or she may deem significant, including (i) anticipated diminution of Operating Revenues, (ii) anticipated increase or decrease in Expenses of Operation and Maintenance attributable to the sale, lease or other disposition, and (iii) reduction in the annual Debt Service Requirement attributable to the application of the proceeds of such sale, lease or other disposition to the provision for payment of Bonds theretofore Outstanding. Such sale, lease or other disposition may include a partial interest in a waterworks facility owned or to be owned in whole or in part by the City.

The City reserves the right to transfer the System as a whole to any political subdivision or authority or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System, or any portion thereof, on behalf of the public, and which undertakes in writing, filed with the City, the City's obligations under the Bond Ordinance, provided that there shall be first filed with the City: (i) an opinion of Bond Counsel to the effect that such sale will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes; and (ii) an opinion of a Consulting Engineer or an Independent Certified Public Accountant expressing the view that such transfer will not result in any diminution of Net Operating Revenues to the extent that in any future Fiscal Year the Net Operating Revenues will be less than (A) 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds to be Outstanding after such transfer or (B) 115% of the Maximum Annual Debt Service Requirement on all Bonds and Other System Obligations to be Outstanding after such transfer. In reaching this conclusion, the Consulting Engineer or Independent Certified Public Accountant, as applicable, shall take into consideration such factors as he or she may deem significant, including any rate schedule adopted by the transferee political subdivision, authority, or agency.

Upon receipt of an opinion of Bond Counsel to the effect that such action will not adversely affect the extent to which interest on any Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, the City may enter into such management contracts and sale/leaseback agreements as the City may deem appropriate, and such management contracts and sale/leaseback agreements shall not constitute a sale, lease or other disposition within the meaning of this Section.

No Impairment of Rights

The City shall not enter into any contract or contracts, nor take any action, the results of which might materially impair the rights of the Bondholders.

Satisfaction of Liens

The City will from time to time duly pay and discharge or cause to be paid and discharged all taxes, assessments, and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon the Pledged Revenues, as well as any lawful claims for labor, materials, or supplies which if unpaid might by law become a lien or charge upon the System or the Pledged Revenues or any part thereof or which might impair the security of the Bonds, except when the City in good faith contests its liability to pay the same.

Enforcement of Charges and Connections

Except as otherwise determined in accordance with City policy and provided that such action or inaction will not materially impair the rights of the Bondholders, the City shall compel the prompt payment of rates, fees, and charges imposed for service rendered on every lot or parcel connected with the System, and to that end will vigorously enforce all of the provisions of any resolution or ordinance of the City having to do with waterworks connections and with waterworks charges, and all of the rights and remedies permitted the City under law. The City by this Section expressly covenants and agrees that such charges will be enforced and promptly collected to the full extent permitted by law, including the requirement for the making of reasonable deposits by customers of the System to the extent required by the City and the discontinuation of services to any premises delinquent in the payment of such charges.

None of the facilities or services afforded by the System will be furnished to any user without a reasonable charge being made therefore, except as otherwise provided for the Parks and Recreation Department in the Code of Ordinances.

Payments

All payments becoming due on the Bonds for Principal and interest shall be made by the City from the Pledged Revenues or, at the City's option, other legally available funds to the owners thereof when due in full, and all reasonable and authorized charges made by the Bond Registrar and any Paying Agent shall be paid by the City when due.

No Loss of Lien on Revenues

The City shall not do, or omit to do, or permit to be done or to be omitted any matter or thing whatsoever whereby the lien of the Bond Ordinance on the Pledged Revenues or any part thereof might or could be lost or impaired.

Annual Budget and Annual Financial Report

The City agrees to adopt an Annual Budget for the System for each Fiscal Year in compliance with the Charter and the rate covenants as stated in the Bond Ordinance. The annual financial report relating to the City's finances, required by Section 96, Article IV, of the Charter, shall contain complete statements covering the results of the year's operations and the financial condition of the System. Said statements shall bear the certificate of the firm of certified public accountants making the annual audit. A copy of each such annual report will be filed with the City Clerk and will be open for public inspection, and a copy will be forwarded promptly without cost to the manager of the underwriting group purchasing the Bonds.

Tax Provisions; Rebate Account

The City recognizes that the purchasers and owners of Tax-Exempt Bonds will have accepted the Tax-Exempt Bonds on, and paid for the Tax-Exempt Bonds a price which reflects, the understanding that interest on such Tax-Exempt Bonds is not included in the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes under laws in force at the time the Tax-Exempt Bonds shall have been delivered.

The City shall take any and all action which may be required from time to time in order to assure that interest on the Tax-Exempt Bonds shall remain excludable from the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes and shall refrain from taking any action which would adversely affect such status.

The City covenants and agrees that it will not use or permit any use of the proceeds of the sale of any Tax-Exempt Bonds, or any other moneys arising out of the ownership or operation of the System or otherwise, or use or permit the use of any of the facilities being financed or refinanced thereby or any other portion of the System, which would cause any Tax-Exempt Bonds or any portion thereof to be "private activity bonds" within the meaning of Section 141 of the Code.

Designation of Paying Agent and Bond Registrar

The Director of Finance shall designate the Paying Agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds (in such capacity, the "Bond Registrar"); provided, however, that in connection with the issuance of any SRF Bonds, the City shall appoint such Paying Agent designated by the issuer of the SRF Bonds.

The City will at all times maintain a Paying Agent meeting the qualifications herein described for the performance of the duties under the Bond Ordinance. The City reserves the right to appoint a successor Paying Agent by (1) filing with the bank or trust company then performing such function a certified copy of the proceedings giving notice of the termination of such bank or trust company and appointing a successor, and (2) causing notice to be given by first class mail to each Bondowner. No resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of the Paying Agent.

Every Paying Agent appointed hereunder shall at all times be (1) a commercial banking association or corporation or trust company located in the State of Missouri organized and in good standing and doing business under the laws of the United States of America or of the State of Missouri and subject to supervision or examination by federal or state regulatory authority and (2) shall have a reported capital (exclusive of borrowed capital) plus surplus of not less than $100,000,000 or consideration may be given by the City to a bank not meeting this amount if the bank submits an acceptable form of guarantee for its financial obligations to the City. If such institution publishes reports of conditions at least annually pursuant to law or regulation, then for the purposes of this Section the capital and surplus of such institution shall be deemed to be its capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent shall be paid in accordance with its proposal for fees and expenses submitted to the Director of Finance as an operating expense of the System.

Events of Default

An **"Event of Default"** shall mean the occurrence of any one or more of the following:

(a) failure to pay the Principal or redemption price of any Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) failure to pay any installment of interest on any Bond when and as such installment of interest shall become due and payable; or

(c) default shall be made by the City in the performance of any obligation in respect to the Debt Service Reserve Subaccount and such default shall continue for 30 days thereafter; or

(d) the City shall (1) admit in writing its inability to pay its debts generally as they become due, (2) file a petition in bankruptcy or take advantage of any insolvency act, (3) make an assignment for the benefit of its creditors, (4) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (5) be adjudicated a bankrupt; or

(e) a court of competent jurisdiction shall enter an order, judgment, or decree appointing a receiver of the System or any of the funds or accounts established in the Bond Ordinance, or of the whole or any substantial part of the City's property, or approving a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable law or statute of the United States of America or the State, and such order, judgment, or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of any of the funds or accounts established in the Bond Ordinance, or of the whole or any substantial part of the City's property, and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control; or

(g) the City shall fail to perform any of the other covenants, conditions, agreements, and provisions contained in the Bonds or in the Bond Ordinance (other than the Continuing Disclosure covenant in the Bond Ordinance) on the part of the City to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring it to be remedied shall have been given to the City by the owners of not less than, or a Credit Facility Provider securing not less than, 25% in aggregate Principal of the Bonds then Outstanding; provided, however, if the failure stated in such notice can be corrected, but not within such 90-day period, the City shall have 180 days after such written notice to cure such default if corrective action is instituted by the City within such 90-day period and diligently pursued until the failure is corrected; or

(h)(i) an Event of Default relating to the non-payment of the Principal or redemption price or installment of interest shall occur under any Series Ordinance; or

(h)(ii) an Event of Default, other than as described in (h)(i), shall occur under any Series Ordinance; or

(i) failure by any Credit Facility Provider to pay the purchase price of Bonds under any Credit Facility then in effect; or

(j) delivery to the City by a Credit Facility Provider of written notice stating that an "Event of Default" has occurred under any Credit Facility Agreement; or

(k) delivery to the City by a Qualified Hedge Provider of written notice stating that an "Event of Default" has occurred under any Senior Hedge Agreement.

Remedies

Upon the happening and continuance of any Event of Default specified in certain sections of the Bond Ordinance regarding payment defaults as to any Senior Bond, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of all Senior Bonds then Outstanding (other than Senior Bonds secured by a Credit Facility), the Principal of all Senior Bonds then Outstanding (other than Senior Bonds secured by a Credit Facility) shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on such Senior Bonds shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds to the contrary notwithstanding. With respect to any Senior Bonds secured by a Credit Facility, only the applicable Credit Facility Provider may give written demand to declare the Principal of and accrued interest on such Senior Bonds to be immediately due and payable.

Upon the happening and continuance of any Event of Default based upon failure by a Credit Facility Provider to pay the purchase price of Bonds under any Credit Facility**,** then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of the Senior Bonds of the affected series then Outstanding, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding.

Upon the happening and continuance of any Event of Default based upon delivery to the City by a Credit Facility Provider of written notice stating that an Event of Default has occurred under any Credit Facility Agreement**,** then and in every such case, upon the written demand of the applicable Credit Facility Provider, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding.

Upon the happening and continuance of any Event of Default based upon the delivery to the City by a Qualified Hedge Provider of written notice stating that an Event of Default has occurred under any Senior Hedge Agreement, then and in every such case, upon the written declaration of the owners of more than 50% in aggregate Principal of the Senior Bonds of the affected series then Outstanding, the Principal of all Senior Bonds of the affected series then Outstanding shall become due and payable immediately, together with the interest accrued thereon to the date of such acceleration, at the place of payment provided therein, and interest on the Senior Bonds of the affected series shall cease to accrue after the date of such acceleration, anything in the Bond Ordinance or in the Senior Bonds of the affected series to the contrary notwithstanding. Notwithstanding the foregoing, with respect to any Senior Bonds secured by a Credit Facility, only the applicable Credit Facility Provider may give written demand to declare the Principal of and accrued interest on such Senior Bonds to be immediately due and payable.

Upon any declaration of acceleration under the Bond Ordinance, the City shall immediately draw under the applicable Credit Facility to the extent permitted by the terms thereof that amount which, together with other amounts on deposit under the Bond Ordinance, shall be sufficient to pay the Principal of and accrued interest on the related Senior Bonds so accelerated.

The above provisions, however, are subject to the condition that if, after the Principal of the Senior Bonds shall have been so accelerated, all arrears of interest upon such Bonds, and interest on overdue installments of interest at the rate on such Bonds, shall have been paid by the City, the Principal of such Bonds which has matured (except the Principal of any Bonds not then due by their terms except as provided above) have been paid, and the City shall also have performed all other things in respect to which it may have been in default under the Bond Ordinance, and, if applicable, each Credit Facility Provider shall have reinstated the Credit Facility in the full amount available to be drawn thereunder by written notice to the City, then, in every such case, the owners of more than 50% in aggregate Principal of all Senior Bonds then Outstanding by written notice to the City, may waive such default and its consequences and such waiver shall be binding upon the City and upon all owners of the Bonds; but no such waiver shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. Notwithstanding the foregoing, as long as the applicable Credit Facility Provider shall not then continue to dishonor draws under the Credit Facility, no Event of Default with respect to the related Senior Bonds may be waived without the express written consent of such Credit Facility Provider.

Upon the happening and continuance of any Event of Default, any owner of Bonds then Outstanding affected by the Event of Default or a duly authorized agent for such owner may proceed to protect and enforce its rights and the rights of the owners of Bonds by such of the following remedies as it shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action, or proceeding at law or in equity, enforce all rights of the owners of Bonds, including the right to require the appointment of a receiver for the System or to exercise any other right or remedy provided by the Constitution and laws of the State and the Charter and to require the City to perform any other covenant or agreement contained in the Bond Ordinance;

(2) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Bonds;

(3) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or

(4) by pursuing any other available remedy at law or in equity or by statute.

In the enforcement of any remedy under the Bond Ordinance, owners of Senior Bonds shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City for Principal, redemption premium, interest, or otherwise, under any provision of the Bond Ordinance or of the Senior Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Senior Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Ordinance and under such Senior Bonds, without prejudice to any other right or remedy of the owners of Senior Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

If no Senior Bonds are then Outstanding or if no Event of Default with respect to any Senior Bonds has then occurred and is continuing, in the enforcement of any remedy under the Bond Ordinance, owners of Subordinate Bonds shall be entitled to sue for, enforce payment on, and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City for Principal, redemption premium, interest, or otherwise, under any provision of the Bond Ordinance or of the Subordinate Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Subordinate Bonds, together with any and all costs and expenses of collection and of all proceedings under the Bond Ordinance and under such Subordinate Bonds, without prejudice to any other right or remedy of the owners of Subordinate Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. Nothing in this paragraph is intended to diminish the rights of the owners of Subordinate Bonds described in clauses (1) through (4) of this Section.

Remedies Cumulative

No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

Waiver of Default

No delay or omission of any Bondholder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein, and every power and remedy given by the Bond Ordinance to the Bondholders may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys After Default

If an Event of Default occurs and shall not have been remedied, the City or a receiver appointed for the purpose shall apply all Pledged Revenues as follows and in the following order of priority:

Expenses of Receiver and Paying Agent and Bond Registrar - to the payment of the reasonable and proper charges, expenses, and liabilities of any receiver and the Paying Agent and Bond Registrar under the Bond Ordinance;

Expenses of Operation and Maintenance and Renewals and Replacements - to the payment of all reasonable and necessary Expenses of Operation and Maintenance and necessary renewals and replacements to the System;

Principal or Redemption Price, Interest, and Hedge Payments Relating to Senior Bonds - to the payment of the interest and Principal or redemption price then due on the Senior Bonds and Hedge Payments then due under Senior Hedge Agreements, as follows:

(a) Unless the Principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied as follows:

first: To the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference. If some of the Senior Bonds bear interest payable at different intervals, and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such interest, the moneys in the Debt Service Reserve Subaccount shall be applied (to the extent necessary) to the payment of all interest becoming due on the dates upon which such interest is payable to and including the next Interest Payment Date. After such date, moneys in the Debt Service Reserve Subaccount plus any other moneys available in the Payments Subaccount shall be set aside for the payment of interest on Senior Bonds of each class (a class consisting of all Senior Bonds payable as to interest on the same dates) pro rata among Senior Bonds of the various classes on a daily basis so that there shall accrue to each owner of a Senior Bond throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Senior Bond as shall so accrue to every other owner of a Senior Bond during such Fiscal Year. As to any Capital Appreciation Bond which is a Senior Bond, such interest shall accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it shall be paid to the owner of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as Principal of such Bond.

second: To the payment of the Hedge Payments due under any Senior Hedge Agreements pursuant to their terms.

third: To the payment to the persons entitled thereto of the unpaid Principal of any of the Senior Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of **Article IX**), in the order of their due dates, with interest upon such Senior Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Senior Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such Principal, ratably according to the amount of such Principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Senior Bonds mature (including mandatory redemption prior to maturity as a maturity) upon different dates, and if at any time moneys from the Debt Service Reserve

Subaccount must be used to pay any such Principal becoming due, the moneys in the Debt Service Reserve Subaccount not required to pay interest under paragraph first above shall be applied (to the extent necessary) to the payment of all Principal becoming due on the dates upon which such Principal is payable to and including the final annual Principal Maturity Date. After such date, moneys in the Debt Service Reserve Subaccount not required to pay interest plus any other moneys available in the Payments Subaccount shall be set aside for the payment of Principal of Senior Bonds of each class (a class consisting of all Senior Bonds payable as to Principal on the same date) pro rata among Senior Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total Principal payable on each such Senior Bond as shall be equal among all classes of Senior Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Capital Appreciation Bond which is a Senior Bond (except for interest which shall have been paid under paragraph first above) shall be treated as Principal for purposes of this paragraph third.

fourth: To the payment of the redemption premium on and the Principal of any Senior Bonds called for optional redemption pursuant to their terms.

(b) If the Principal of all the Senior Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Senior Bonds, with interest thereon as aforesaid, and due and unpaid Hedge Payments under Senior Hedge Agreements, without preference or priority of Principal over interest or Hedge Payments or of interest over Principal or Hedge Payments, or of Hedge Payments over Principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bonds, or of any such Hedge Payment over any other such Hedge Payment, ratably, according to the amounts due respectively for Principal, interest, and Hedge Payments, to the persons entitled thereto without any discrimination or preference.

Principal or Redemption Price, Interest, and Hedge Payments Relating to Subordinate Bonds and Hedge Contingency Payments - to the payment of the interest and Principal or redemption price then due on the Subordinate Bonds, Hedge Contingency Payments and Hedge Payments then due under Subordinate Hedge Agreements, as follows:

(a) Unless the Principal of all the Subordinate Bonds shall have become due and payable, all such moneys shall be applied as follows:

first: To the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Subordinate Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference. If some of the Subordinate Bonds bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such interest, the moneys in the Debt Service Reserve Subaccount shall be applied (to the extent necessary) to the payment of all interest becoming due on the dates upon which such interest is payable to and including the next succeeding semiannual Interest Payment Date. After such date, moneys in the Debt Service Reserve Subaccount plus any other moneys available in the Payments Subaccount shall be set aside for the payment of interest on Subordinate Bonds of each class (a class consisting of all Subordinate Bonds payable as to interest on the same dates) pro rata among Subordinate Bonds of the various classes on a daily basis so that there shall accrue to each owner of a Subordinate Bond throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Subordinate Bond as shall so accrue to every other owner of a Subordinate Bond during such Fiscal Year. As to any Capital Appreciation Bond which is a Subordinate Bond, such interest shall accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it shall be paid to the owner of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as Principal of such Bond.

second: To the payment of the Hedge Payments due under any Subordinate Hedge Agreements pursuant to their terms.

third: To the payment of Hedge Contingency Payments, if any, due under any Senior Hedge Agreements pursuant to their terms and to the persons entitled thereto of the unpaid Principal of any of the Subordinate Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of **Article IX**), in the order of their due dates, with interest upon such Subordinate Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full such Hedge Contingency Payments and Subordinate Bonds due on any particular date, together with such interest, then to the payment first of such Hedge Contingency Payments and interest, ratably according to the amount of such interest and Hedge Contingency Payments due on such date, and then to the payment of such Principal, ratably according to the amount of such Principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Subordinate Bonds mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Subaccount must be used to pay any such Principal becoming due, the moneys in the Debt Service Reserve Subaccount not required to pay interest under paragraph first above shall be applied (to the extent necessary) to the payment of all Principal becoming due on the dates upon which such Principal is payable to and including the final annual Principal Maturity Date. After such date, moneys in the Debt Service Reserve Subaccount not required to pay interest plus any other moneys available in the Payments Subaccount shall be set aside for the payment of Principal of Subordinate Bonds of each class (a class consisting of all Subordinate Bonds payable as to Principal on the same date) pro rata among Subordinate Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total Principal payable on each such Subordinate Bond as shall be equal among all classes of Subordinate Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Capital Appreciation Bond which is a Subordinate Bond (except for interest which shall have been paid under paragraph first above) shall be treated as Principal for purposes of this paragraph third.

fourth: To the payment of Hedge Contingency Payments, if any, due under any Subordinate Hedge Agreements pursuant to their terms.

fifth: To the payment of the redemption premium on and the Principal of any Subordinate Bonds called for optional redemption pursuant to their terms.

(b) If the Principal of all the Subordinate Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Subordinate Bonds, with interest thereon as aforesaid, and due and unpaid Hedge Contingency Payments and Hedge Payments under Subordinate Hedge Agreements, without preference or priority of Principal over interest, Hedge Contingency Payments or Hedge Payments or of interest over Principal, Hedge Contingency Payments or Hedge Payments, or of Hedge Contingency Payments over Principal, Hedge Payments or interest, or of Hedge Payments over Principal, interest or Hedge Contingency Payments, or of any installment of interest over any other installment of interest, or of any Subordinate Bond over any other Subordinate Bonds, or of any such Hedge Contingency Payment or any other such Hedge Contingency Payment or of any such Hedge Payment over any other such Hedge Payment, ratably, according to the amounts due respectively for Principal, interest, Hedge Contingency Payments and Hedge Payments, to the persons entitled thereto without any discrimination or preference.

Rights of Credit Facility Provider

Notwithstanding any other provision of the Bond Ordinance, in the event that the City shall draw under a Credit Facility any amount for the payment of Principal of or interest on any Bonds, then upon such payment the related Credit Facility Provider shall succeed to and become subrogated to the rights of the recipients of such payments and such Principal or interest shall be deemed to continue to be unpaid and Outstanding for all purposes and shall continue to be fully secured by the Bond Ordinance until the Credit Facility Provider, as successor and subrogee, has been paid all amounts owing in respect of such subrogated payments of Principal and interest. Such rights shall be limited and evidenced by having the City note the Credit Facility Provider's rights as successor and subrogee on its records, and the City shall, upon request, deliver to the Credit Facility Provider (i) in the case of interest on the Bonds, an acknowledgment of the Credit Facility Provider's ownership of interest to be paid on the Bonds specifying the amount of interest owed, the period represented by such interest, and the CUSIP numbers of the Bonds on which such interest is owed and (ii) in the case of Principal of the Bonds, either the Bonds themselves duly assigned to the Credit Facility Provider or new Bonds registered in the name of the Credit Facility Provider or in such other name as the Credit Facility Provider shall specify. Whenever moneys become available for the payment of any interest then overdue, the Credit Facility Provider shall be treated as to interest owed to it as and as if it had been the Bondholder of the Bonds upon which such interest is payable on any special record date therefor.

No Obligation to Levy Taxes

Nothing contained in the Bond Ordinance shall be construed as imposing on the City any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the Principal of or interest on the Bonds.

Call of Meetings of Bondholders

The City or the owners of not less than 25% in aggregate Principal of the Bonds Outstanding of either the Senior Bonds or the Subordinate Bonds may at any time call a meeting of the Bondholders.

Defeasance

Except as otherwise provided in any Series Ordinance with respect to Bonds secured by a Credit Facility, Bonds for the payment or redemption of which sufficient moneys or sufficient Government Obligations shall have been deposited with the Paying Agent (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid and no longer Outstanding under the Bond Ordinance; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or firm and irrevocable arrangements shall have been made for the giving of such notice; and, provided, further, that Bonds that are Auction Rate Bonds or are bearing interest at a Variable Rate shall not be deemed to have been paid and discharged within the meaning of this Section unless the interest rate payable on such Bonds is calculated at the maximum interest rate specified for such Bonds to the earlier of the first tender or redemption date. Government Obligations shall be considered sufficient for purposes of this article only: (i) if such Government Obligations are not callable by the issuer of the Government Obligations prior to their stated maturity, and (ii) if such Government Obligations fall due and bear interest in such amounts and at such times as will assure sufficient cash to pay currently maturing interest and to pay Principal and redemption premiums, if any, when due on the Bonds without rendering the interest on any Tax-Exempt Bonds includable in gross income of any owner thereof for federal income tax purposes.

The City may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered under the Bond Ordinance which the City may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Supplemental Ordinances Not Requiring Consent of Bondholders

The City, from time to time and at any time, subject to the conditions and restrictions in the Bond Ordinance, may adopt one or more Supplemental Ordinances which thereafter shall form a part of the Bond Ordinance, for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the City in the Bond Ordinance other covenants and agreements thereafter to be observed or to surrender, restrict, or limit any right or power reserved in the Bond Ordinance to or conferred upon the City (including but not limited to the right to issue Senior Bonds);

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Bond Ordinance, or in regard to matters or questions arising under the Bond Ordinance, as the City may deem necessary or desirable and not inconsistent with the Bond Ordinance;

(c) To subject to the lien and pledge of the Bond Ordinance additional revenues, receipts, properties, or other collateral;

(d) To evidence the appointment of a successor to any Paying Agent;

(e) To modify, amend, or supplement the Bond Ordinance in such manner as to permit the qualification of the Bond Ordinance under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Bond Ordinance such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

(f) To make any modification or amendment of the Bond Ordinance required in order to make any Bonds eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Bonds or interests therein in book-entry form;

(g) To modify any of the provisions of the Bond Ordinance in any respect if such modification shall not become effective until after the Bonds Outstanding immediately prior to the effective date of such Supplemental Ordinance shall cease to be Outstanding and if any Bonds issued contemporaneously with or after the effective date of such Supplemental Ordinance shall contain a specific reference to the modifications contained in such subsequent proceedings;

(h) Subject to the provisions of Bond Ordinance related to the Project Fund, to modify the provisions of the Bond Ordinance with respect to the disposition of any moneys remaining in the Project Fund upon the completion of any Project;

(i) To increase the size or scope of the System, to add other utilities to the System, to create additional subaccounts or to abolish any subaccounts within any account, or to change the amount of the Debt Service Reserve Requirement, but not below the amount specified in such definition;

(j) To modify the Bond Ordinance to permit the qualification of any Bonds for offer or sale under the securities laws of any state in the United States of America;

(k) To modify the Bond Ordinance to provide for the issuance of Senior Bonds or Subordinate Bonds, and such modification may deal with any subjects and make any provisions which the City deems necessary or desirable for that purpose;

(l) To make such modifications in the provisions of the Bond Ordinance as may be deemed necessary by the City to accommodate the issuance of Bonds which (i) are Auction Rate Bonds, (ii) are Capital Appreciation Bonds (including, but not limited to, provisions for determining the Debt Service Requirement for such Capital Appreciation Bonds and for treatment of Accreted Value in making such determination) or (iii) bear interest at a Variable Rate; and

(m) To modify any of the provisions of the Bond Ordinance in any respect (other than a modification of the type described in the Bond Ordinance section regarding Supplemental Ordinances requiring consent of Bondholders requiring the unanimous written consent of the Bondholders); provided that for (i) any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of Principal and interest to be paid thereon, each Rating Agency shall have given written notification to the City that such modification will not cause the then applicable Rating on any Bonds to be reduced or withdrawn, and (ii) any Outstanding Bonds which are secured by Credit Facilities providing for the payment of the full amount of the Principal and interest to be paid thereon, each Credit Facility Provider shall have consented in writing to such modification.

Any Supplemental Ordinance authorized by the provisions of this Section may be adopted by the City without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Bond Ordinance section regarding Supplemental Ordinances requiring consent of Bondholders.

Any Supplemental Ordinance of the City may modify the provisions of the Bond Ordinance in such a manner, and to such extent and containing such provisions, as the City may deem necessary or desirable to effect any of the purposes stated above.

Supplemental Ordinances Requiring Consent of Bondholders

With the consent of the owners of not less than a majority in aggregate Principal of the Outstanding Bonds of each class (senior and subordinate), voting separately by class, the City may from time to time and at any time adopt a Supplemental Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Ordinance or of any Supplemental Ordinance; provided, however, that no such Supplemental Ordinance shall: (1) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond Outstanding under the Bond Ordinance; (2) reduce or extend the time for payment of Principal of, redemption premium, or interest on any Bond Outstanding under the Bond Ordinance; (3) reduce any premium payable upon the redemption of any Bond under the Bond Ordinance or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date; (4) give to any Senior Bond or Senior Bonds (or related Hedge Payments) a preference over any other Senior Bond or Senior Bonds (or related Hedge Payments); (5) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Bond Ordinance for the Senior Bonds; (6) reduce the percentage of owners of senior or subordinate classes of Bonds required to approve any such Supplemental Ordinance; or (7) deprive the owners of the Bonds of the right to payment of the Bonds or from the Pledged Revenues, without, in each case, the consent of the owners of all the affected Bonds then Outstanding. No amendment may be made under this Section which affects the rights or duties of any Credit Facility Provider securing any of the Bonds or any Qualified Hedge Provider under any Hedge Agreement without its written consent.

If the City intends to enter into or adopt any Supplemental Ordinance as described in this Section, the City shall mail, by registered or certified mail, to the registered owners of the Bonds at their addresses as shown on the Bond Register, a notice of such intention along with a description of such Supplemental Ordinance not less than 30 days prior to the proposed effective date of such Supplemental Ordinance. The consents of the registered owners of the Bonds need not approve the particular form of wording of the proposed Supplemental Ordinance, but it shall be sufficient if such consents approve the substance thereof. Failure of the owner of any Bond to receive the notice required in the Bond Ordinance shall not affect the validity of any Supplemental Ordinance if the required number of owners of the Bonds of each class shall provide their written consent to such Supplemental Ordinance.

Notwithstanding any provision of the Bond Ordinance to the contrary, upon the issuance of a Credit Facility to secure any Bonds and for the period in which such Credit Facility is outstanding, the Credit Facility Provider may have the consent rights of the owners of the Bonds which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the Bond Ordinance, to the extent provided in the applicable Series Ordinance. Notwithstanding the foregoing, if a Credit Facility Provider is granted the consent rights of the owners of any Bonds in a Series Ordinance and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Bonds secured by the related Credit Facility may exercise such consent rights.

Notice of Supplemental Ordinances

The City shall cause the Bond Registrar to mail a notice by registered or certified mail to the registered owners of all Bonds Outstanding, at their addresses shown on the Bond Register or at such other address as has been furnished in writing by such registered owner to the Bond Registrar, setting forth in general terms the substance of any Supplemental Ordinance which has been: (i) adopted by the City or (ii) approved by Bondholders or any Credit Facility Provider and adopted by the City.

Project Fund

Moneys in the Project Account for each Project shall be used solely for the purpose of paying part of the cost of that Project as hereinbefore provided, in accordance with the plans therefor and heretofore approved by the Council of the City and on file in the office of the Director of the Department of Water Services, including any alterations in or amendments to said plans deemed advisable by the Director of the Department of Water Services and approved by the Council of the City.

Moneys in the Costs of Issuance Account shall be used solely for the purpose of paying the costs and expenses incident to the issuance of the Bonds upon certification thereof by the Director of Finance. Unless a later date is specified in the Series Ordinance authorizing a series of Bonds, on the latest to occur of (i) the payment in full of such amounts (as certified by the Director of Finance) or (ii) the date which is six months following the date on which the Bonds are issued and authenticated, any moneys remaining in the Costs of Issuance Account shall be transferred to the Project Account and applied in accordance with the provisions of this Section.

Purposes of Payments

Moneys in each separate account in the Project Fund shall be used for the payment or reimbursement of the Costs of the Project for which such account was established.

Documentation of Payments

Withdrawals from the Project Fund shall be made only when authorized by the Council and only on duly authorized and executed warrants or vouchers therefor prepared in accordance with procedures issued by the Director of the Department of Water Services that such payment is being made for a purpose within the scope of this Bond Ordinance and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof.

Funds Remaining on Completion of Projects

Upon completion of a Project, any surplus moneys remaining in the respective Project Account and not required for the payment of unpaid costs thereof shall be deposited in the Payments Subaccount. Any surplus credited to the Payments Subaccount shall be applied by the Paying Agent as directed by the City solely to the payment of principal of, redemption premium, if any, and interest on the related series of Bonds through the payment or redemption thereof at the earliest date permissible under the terms of the Bond Ordinance. The balance transferred to the Payments Subaccount may first be used to pay any principal payment on the related series of Bonds coming due in that current bond year. If the balance transferred is greater than the current bond year principal payment, the excess shall be used to optionally call Bonds for redemption. Any Bonds purchased by the Paying Agent pursuant to this provision with moneys from the Payments Subaccount will be deemed cancelled.

Applicable Provisions of Law

The Bond Ordinance shall be governed by and construed and enforced in accordance with the laws of the State and the Charter.

SERIES ORDINANCE DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Series Ordinance for the Series 2009A Bonds with respect to the Bonds and this Official Statement. Reference is hereby made to the Bond Ordinance and Series Ordinance for the Series 2009A Bonds for complete definitions of all terms.

"Bond Registrar" means any bank or trust company designated as such by the City in the Bond Ordinance with respect to any of the Bonds. Such Bond Registrar shall perform the duties required of the Bond Registrar in the Bond Ordinance. The Bank of New York Mellon Trust Company, N.A. is designated as Bond Registrar for the Bonds; provided, however, that in connection with the issuance of any SRF Bonds, the City shall appoint such separate Bond Registrar designated by the issuer of the SRF Bonds.

"Certificate of Final Terms" means the Certificate of Final Terms, executed and delivered by the Mayor.

"Escrow Agreement" means one or more Escrow Deposit Agreements or Escrow Letters of Instructions each dated as of the date set forth therein between the City and the escrow agent named therein for one or more series of the Refunded Bonds, as the same may from time to time be amended or supplemented in accordance with its terms.

"Master Bond Ordinance" means Second Committee Substitute for Ordinance No. 080197 adopted by the City on August 14, 2008, as amended from time to time.

"Ordinance" means this Ordinance as from time to time amended.

"Paying Agent" means any bank or trust company, including any successors and assigns thereof, authorized by the City to pay the Principal of, premium, if any, or interest on any Bonds on behalf of the City. Such Paying Agent shall perform the duties required of the Paying Agent in the Master Bond Ordinance and the Ordinance. The Bank of New York Mellon Trust Company, N.A., is hereby designated as Paying Agent for the Bonds; provided, however, that in connection with the issuance of any SRF Bonds, the City shall appoint such Paying Agent designated by the issuer of the SRF Bonds.

"Refunded Bonds" means collectively, the Series 1996A Refunded Bonds, the Series 1996B Refunded Bonds, the Series 1998A Refunded Bonds, the Series 1998B Refunded Bonds, the Series 2000A Refunded Bonds, the Series 2002C Refunded Bonds, the Series 2004D Refunded Bonds and the Series 2005F Refunded Bonds.

"Senior Bonds" means the Series 2009A Bonds and any Bonds, including Senior SRF Bonds, issued with a right to payment and secured by a lien on a parity with the Series 2009A Bonds (except with respect to any Credit Facility which may be available only to one or more series of Senior Bonds and except that Senior SRF Bonds shall not be secured by the Debt Service Reserve Account) pursuant to the Master Bond Ordinance.

"Series 1996A Refunded Bonds" means the City's outstanding Water Refunding Revenue Bonds, Series 1996A authorized by Committee Substitute for Ordinance No. 960924.

"Series 1996B Refunded Bonds" means the City's outstanding Water Revenue Bonds, Series 1996B authorized by Ordinance No. 961462.

"Series 1998A Refunded Bonds" means the City's outstanding Water Revenue Bonds, Series 1998A authorized by Committee Substitute for Ordinance No. 980278.

“Series 1998B Refunded Bonds” means the City’s outstanding Water Revenue Bonds, Series 1998B authorized by Committee Substitute for Ordinance No. 980296.

“Series 2000A Refunded Bonds” means the City’s outstanding Water Revenue Bonds, Series 2000A authorized by Ordinance No. 000037.

“Series 2002C Refunded Bonds” means the City’s outstanding Water Revenue Bonds, Series 2002C authorized by Committee Substitute for Ordinance No. 020325.

“Series 2004D Refunded Bonds” means the City’s outstanding Water Revenue Bonds, Series 2004D authorized by Ordinance No. 040693.

“Series 2005F Refunded Bonds” means the City’s outstanding Water Revenue Bonds, Series 2005F authorized by Committee Substitute for Ordinance No. 050906.

“Series 2009A Bonds” means the City’s Water Refunding and Improvement Revenue Bonds, Series 2009A, in the original aggregate Principal amount not to exceed $220,000,000.

“Series 2009A Costs of Issuance Account” means the account by that name within the Project Fund established in the Ordinance.

“Series 2009A Project” means the extensions and improvements of the City’s waterworks system, as approved by the voters of the City at the 2005 Election.

“Series 2009A Project Account” means the account by that name within the Project Fund established in the Ordinance.

“Series 2009A Rebate Subaccount” means the subaccount by that name within the Rebate Account established in the Ordinance.

SUMMARY OF SERIES ORDINANCE

The following is a summary of certain provisions contained in the Series Ordinance. The following is not a comprehensive description, and is qualified in its entirety by reference to the Series Ordinance for a complete recital of the terms thereof.

Establishment of Funds and Accounts

In addition to the Funds and Accounts established in the Master Bond Ordinance, the City establishes the following accounts, and the moneys deposited in such accounts shall be held in trust for the purposes set forth in the Master Bond Ordinance and the Ordinance:

Within the City of Kansas City, Missouri Waterworks Rebate Account in the Revenue Fund (the **"Rebate Account")**, a Series 2009A Rebate Subaccount.

Within the City of Kansas City, Missouri Waterworks Project Fund (the **"Project Fund"**), a Series 2009A Project Account and a Series 2009A Costs of Issuance Account.

Each account listed above shall be held within the account under which it is created. All accounts listed above are further described in the Master Bond Ordinance.

Applicability of Master Bond Ordinance

Except as otherwise provided in the Ordinance, the provisions of the Master Bond Ordinance are ratified, approved and confirmed and incorporated into the Ordinance and shall be applicable to the authorization, execution, authentication, issuance, redemption, payment, sale and delivery of the Series 2009A Bonds, the custody and the distribution of the proceeds and the security, payment, redemption and enforcement of payment thereof.

Application of Series 2009A Bond Proceeds

Upon the written request of the City, the Bond Registrar shall authenticate and deliver to DTC or hold the Series 2009A Bonds as "Fast Agent" for the benefit of the Beneficial Owners and shall receive a receipt for the Series 2009A Bonds. The net proceeds received from the sale of the Series 2009A Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

All accrued interest received from the sale of the Bonds shall be deposited in the Payments Subaccount of the Sinking Fund Account and applied in accordance with the section of the Master Bond Ordinance describing the Sinking Fund Account.

Proceeds of the Series 2009A Bonds shall be deposited in the Series 2009A Rebate Subaccount of the Rebate Account in an amount as set forth in the Certificate of Final Terms.

Proceeds of the Series 2009A Bonds shall be deposited in the Series 2009A Costs of Issuance Account to pay the costs of issuing the Series 2009A Bonds as authorized by the Director of Finance, in an amount as set forth in the Certificate of Final Terms.

Proceeds of the Series 2009A Bonds in an amount sufficient for the payment of the principal of and interest on and the redemption premium on the Series 1996A Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount sufficient for the payment of the principal of and interest on and the redemption premium on the Series 1996B Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount sufficient for the payment of the principal of and interest on and the redemption premium on the Series 1998A Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount sufficient for the payment of the principal of and interest on and the redemption premium on the Series 1998B Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount, which together with the earnings to accrue thereon, will be sufficient for the payment of the principal of and interest on the Series 2000A Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount, which together with the earnings to accrue thereon, will be sufficient for the payment of the principal of and interest on the Series 2002C Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount, which together with the earnings to accrue thereon, will be sufficient for the payment of the principal of and interest on the Series 2004D Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

Proceeds of the Series 2009A Bonds in an amount, which together with the earnings to accrue thereon, will be sufficient for the payment of the principal of and interest on the Series 2005F Refunded Bonds, as set forth in the Certificate of Final Terms, shall be deposited in the escrow account established pursuant to the Escrow Agreement and shall be applied as provided therein.

The remaining proceeds of the Series 2009A Bonds, including any premium received from the sale of the Bonds, shall be deposited in the Series 2009A Project Account as set forth in the Certificate of Final Terms.

Moneys in the Series 2009A Costs of Issuance Account

Moneys in the Costs of Issuance Account shall be applied for the purpose of paying the costs and expenses incident to the issuance of the Series 2009A Bonds as provided in the Master Bond Ordinance.

Bond Insurer Provisions

The provisions of the Bond Insurer Provisions Section of the Bond Ordinance shall govern, notwithstanding anything to the contrary set forth in the Bond Ordinance.

Acceleration and Annulment

Any acceleration of the Series 2009A Bonds or any annulment thereof is subject to the prior written consent of the Bond Insurer.

Notice of Default to the Bond Insurer

Paying Agent and the City will provide immediate notice to Bond Insurer of any payment default on the Series 2009A Bonds and notice of any other Event of Default known to the Paying Agent or the City within 30 days of the Paying Agent's or the City's knowledge thereof.

For all purposes of the Bond Ordinance in addition to receiving notice of default to Bondholders, the Bond Insurer shall be deemed to be a Bondholder of the Series 2009A Bonds.

Notice and Direction of Remedies by the Bond Insurer

Bond Insurer is a party in interest and is a party entitled to (i) give notice to the City and the Paying Agent of the occurrence of an Event of Default and the Paying Agent is required to accept notice of default from the Bond Insurer and (ii) direct the Paying Agent to intervene in judicial proceedings that affect the Series 2009A Bonds or the security therefore and (iii) direct the Paying Agent to initiate judicial proceedings to enforce the terms of the financing documents.

Amendments to Bond Ordinance

Any amendment or supplement to the Bond Ordinance requiring consent of Bondholders of the Series 2009A Bonds is also subject to written consent of the Bond Insurer before it shall become effective.

Any Rating Agency having a rating in effect with respect to the Series 2009A Bonds must receive notice of each such amendment or supplement to the Bond Ordinance requiring consent of Bondholders of the Series 2009A Bonds and a copy thereof at least 15 days in advance of its becoming effective.

Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

Fiduciaries

Bond Insurer shall be furnished with written notice of the resignation or removal of any Paying Agent and the appointment of any successor thereto.

No resignation or removal of any of the following with respect to the Series 2009A Bonds will be effective until a successor has been appointed and has accepted the duties of the respective office: Paying Agent; Bond Registrar.

Redemption, Purchase and Tender of the Series 2009A Bonds

Notice of any redemption of the Series 2009A Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on redemption date sufficient money to pay the full redemption price of the Series 2009A Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Series 2009A Bonds to be redeemed is on deposit in the applicable fund or account.

Neither the Bond Ordinance, nor the Series 2009A Bonds shall include, nor shall they be amended to include, provisions allowing the City to purchase the Series 2009A Bonds either outright or in lieu of redemption for purposes other than retiring the Series 2009A Bonds, without Bond Insurer's consent. This covenant shall be applicable so long as the Series 2009A Bonds remain Outstanding.

Payment of the purchase price of the Series 2009A Bonds due as a result of mandatory or optional tender, including a mandatory tender resulting from the conversion of an interest rate mode on the Series 2009A Bonds, shall not be covered by the Bond Insurance Policy.

Reporting Requirements

Bond Insurer shall be provided with the following information so long as the Bond Insurance Policy is in effect:

The budget and/or financial disclosures, if any, made and adopted by the City as respects any matters related to the Series 2009A Bonds;

The official statement or other disclosure document(s), if any, prepared in connection with the issuance of any additional debt on parity with or senior to the Series 2009A Bonds;

Notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit, in the debt service reserve fund;

Notice of redemption, other than mandatory sinking fund redemption, of any of the Series 2009A Bonds, or of any advance refunding of the Series 2009A Bonds, including the principal amount, maturities, and CUSIP numbers thereof;

Notice of any material events pursuant to Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended relating to the Series 2009A Bonds, all obligations relating to the Series 2009A Bonds, Net Operating Revenues, any other Pledged Revenues and any matters relating to the foregoing which may arise by amendment or supplement to the Bond Ordinance; and

Such additional information as Bond Insurer may reasonably request in writing from time to time.

Reimbursement of Bond Insurer

The City shall pay or reimburse Bond Insurer for any and all charges, fees, costs, and expenses that Bond Insurer may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense, or preservation of any rights or security under the Ordinance, under any other transaction document; (ii) the pursuit of any remedies hereunder, under any other transaction document, or otherwise afforded by law or equity, (iii) any amendment waiver or other action with respect to or related to any transaction document whether or not executed or completed; (iv) the violation by the City of any law, rule, or regulation or any judgment, order or decree applicable to it; (v) any advances or payments made by Bond Insurer to cure defaults of the City under the transaction documents; or (vi) any litigation or other dispute in connection with any transaction document, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of Bond Insurer to honor its payment obligations under the Bond Insurance Policy. Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of any transaction document. The obligations of the City to Bond Insurer shall not terminate until all obligations owed to Bond Insurer have been fully satisfied.

Duties in the Event of Deficiency

As long as the Bond Insurance Policy shall be in full force and effect, the City and any Paying Agent agree to comply with the following provisions:

If, on any interest payment date for the Series 2009A Bonds there is not on deposit with the Paying Agent sufficient moneys available to pay all principal of and interest on the Series 2009A Bonds due on such date, the Paying Agent shall immediately notify Bond Insurer of the amount of such deficiency. In addition:

The Paying Agent shall provide Bond Insurer with a list of the Bondholders entitled to receive principal or interest payments from Bond Insurer under the terms of the Bond Insurance Policy and shall make arrangements for Bond Insurer (I) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from Bond Insurer and (II) to pay principal of the Series 2009A Bonds surrendered to the Paying Agent by the Bondholders entitled to receive full or partial principal payments from Bond Insurer; and

The Paying Agent shall, at the time it makes the Bond Register available to Bond Insurer pursuant to (a) above, notify Bondholders entitled to receive the payment of principal or interest on the Series 2009A Bonds from Bond Insurer (I) as to the fact of such entitlement, (II) that Bond Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, (III) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from Bond Insurer, such Bondholder must tender its Series 2009A Bond with the instrument of transfer in the form provided on the Series 2009A Bond executed in the name of Bond Insurer, and (IV) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from Bond Insurer such Bondholder must tender its Series 2009A Bond for payment first to the Paying Agent, which shall note on such Series 2009A Bond the portion of principal paid by the Paying Agent, and then, with an acceptable form of assignment executed in the name of Bond Insurer, to the Paying Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

In the event the Paying Agent has notice that any payment of principal of or interest on a Series 2009A Bond has been recovered from an Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, at the time it provides notice to Bond Insurer, notify all Bondholders that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from Bond Insurer to the extent of such recovery, and the Paying Agent shall furnish to Bond Insurer its records evidencing the payments of principal of and interest on the Series 2009A Bonds which have been made by the Paying Agent and subsequently recovered from Bondholders, and the dates on which such payments were made.

Applicable Provisions of Law

The Ordinance shall be governed by and construed and enforced in accordance with the laws of the State and the Charter.

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APPENDIX E

PROPOSED FORM OF CO-BOND COUNSEL OPINION

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APPENDIX E

PROPOSED FORM OF CO-BOND COUNSEL OPINION

[Closing Date]

City of Kansas City, Missouri
Kansas City, Missouri

Berkshire Hathaway Assurance Corporation
Stamford, Connecticut

Merrill Lynch & Co.
Chicago, Illinois

Re: City of Kansas City, Missouri, $[Principal Amount] City of Kansas City, Missouri Water Refunding and Improvement Revenue Bonds, Series 2009A

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Kansas City, Missouri (the "City"), of the above-captioned bonds (the "Bonds"), pursuant to Second Committee Substitute for Ordinance No. 080197 and Ordinance No. 090099 (collectively, the "Bond Ordinance"), adopted by the governing body of the City. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Ordinance.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City enforceable in accordance with their terms, payable solely from the Pledged Revenues (as defined in the Bond Ordinance), and are subordinate to bonds previously issued or to be issued as provided in the Bond Ordinance. The Bonds do not constitute general obligations of the City nor do they constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds.

2. The Bond Ordinance has been duly adopted by the City and constitutes the valid and legally binding obligation of the City enforceable against the City in accordance with its terms.

3. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

relating to

$198,915,000
CITY OF KANSAS CITY, MISSOURI
WATER REFUNDING AND IMPROVEMENT REVENUE BONDS
SERIES 2009A

THIS CONTINUING DISCLOSURE UNDERTAKING (this "**Undertaking**") is executed and delivered by the City of Kansas City, Missouri (the "**City**") in connection with the issuance of $198,915,000 principal amount of Water Refunding and Improvement Revenue Bonds, Series 2009A (the "**Bonds**"). The Bonds are being issued under and pursuant to Second Committee Substitute for Ordinance No. 080197 adopted by the City Council of the City on August 14, 2008, and Committee Substitute for Ordinance 090099 adopted by the City Council of the City on February 19, 2009 (collectively, the "Ordinance").

In order to permit the Underwriter to comply with the provisions of Rule 15c2-12 of the Securities Exchange Commission, as amended, in connection with the public offering of the Bonds, the City, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby covenants and agrees, for the sole and exclusive benefit of holders and Beneficial Owners of the Bonds, as follows:

Section 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Ordinance.

"**Annual Information**" means the information specified in **Section 3** hereof.

"**Beneficial Owner**" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as owner of any Bonds for federal income tax purposes.

"**Bond Insurer**" means Berkshire Hathaway Assurance Corporation.

"**Bonds**" means the Water Refunding and Improvement Revenue Bonds, Series 2009A issued pursuant to the Ordinance.

"Central Post Office" means DisclosureUSA, any successor thereto, or any other conduit entity recognized, authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Events notices to the nationally recognized municipal securities information repositories.

"**City**" means the City of Kansas City, Missouri, a constitutional charter city duly organized under the laws of the State of Missouri, and any successor thereto.

"**EMMA**" means the Electronic Municipal Market Access system for municipal securities disclosures.

"**Fiscal Year**" means the City's fiscal year, which is currently May 1 to April 30, or as it may be hereinafter defined by the City.

"**GAAP**" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

"**GAAS**" means generally accepted auditing standards as in effect from time to time in the United States.

"**MSRB**" means the Municipal Securities Rulemaking Board, established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"**National Repository**" means any Nationally Recognized Municipal Securities Information Repository for purposes of Rule 15c2-12. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit A. Annual Information and notices of the material events described in Section 2(iv) hereof are not required to be filed with the national Repositories on or after July 1, 2009.

"**Obligated Person**" means the person (including an issuer of separate securities) that is committed by contract or other arrangements structured to support payment of all or part of the obligations under the municipal securities.

"Official Statement" means the Official Statement relating to the Bonds dated February 19, 2009.

"**Ordinance**" means the respective ordinance of the City authorizing the Bonds, as originally executed or as it may be supplemented or amended from time to time.

"**Repository**" means, through June 30, 2009, each National Repository, and on and after July 1, 2009, the MSRB via EMMA.

"**Rule 15c2-12**" means Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended and as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

"Underwriter" means Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as representative of the underwriters of the Bonds.

Section 2. Obligations to Providing Continuing Disclosure.

(a) Obligations of the City.

(i) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than 270 days after the end of each of its Fiscal Years, commencing with the Fiscal Year ending April 30, 2009, to each Repository and the Bond Insurer the Annual Information relating to such Fiscal Year.

(ii) The City hereby undertakes, for the benefit of holders and Beneficial Owners of the Bonds, to provide, no later than 270 days after the end of each of its Fiscal Years, commencing with the Fiscal Year ending April 30, 2009, audited financial statements of the City to each Repository and the Bond Insurer, provided, however, if audited financial statements are not then available, unaudited financial statement shall be provided no later than 270 days after the end of each of its Fiscal Years and the audited financial statements shall be delivered to each Repository, if and when they become available.

(iii) The Paying Agent, if other than an officer of the City, shall notify the City of the occurrence of any of the 11 events with respect to the Bonds listed in **Section 2(a)(iv)** hereof, if material, promptly upon becoming aware of the occurrence of any such event.

(iv) The City hereby undertakes, for the benefit of the holders and the Beneficial Owners of the Bonds, to provide each Repository or to the MSRB in a timely manner, notice of any of the following 11 events with respect to the Bonds, if material:

(A) principal and interest payment delinquencies;
(B) non-payment related defaults;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancement reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(G) modifications to the rights of holders of the Bonds;
(H) Bond calls;
(I) defeasance;
(J) release, substitution or sale of property securing repayment of the Bonds; and
(K) rating changes.

(v) The City shall also provide to each Repository or to the MSRB, as promptly as practicable notice of any failure of the City to provide each Repository, the Annual Information required by **Section 2(a)(i)** or **Section 2(a)(ii)** on or before the date specified.

(b) Termination or Modification of Disclosure Obligation. The obligations of the City hereunder may be terminated if the City is no longer an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12, as amended from time to time. Upon any such termination, the City shall provide written notice thereof to each Repository and the MSRB.

(c) Other Information. Nothing herein shall be deemed to prevent the City from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the City should disseminate any such additional information, the City shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

Section 3. Annual Information.

(a) Specified Information. The Annual Information shall consist of (i) financial data of the type included in Appendix B to the Official Statement under the caption "CITY OF KANSAS CITY, MISSOURI ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS," and (ii) the data of the type included in the Official Statement under the subheadings "THE SYSTEM – Primary System, Atherton System, Additional Information, Largest Users of the System, and Rate Structure" and the Table entitled "Historical Debt Service Coverage Calculation."

(b) Incorporation by Reference. All or any portion of the Annual Information of the City may be provided in the Annual Information by specific incorporation by reference to any other documents which have been filed with the Repositories, the Securities Exchange Commission and the MSRB.

(c) Information Categories. The requirements contained in this Undertaking under **Section 3(a)** are intended to set forth a general description of the type of financial information and operating data to be provided by the City and such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of **Section 3(a)** call for information that no longer can be generated or relates to operations that have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. **Financial Statements**. The annual financial statements of the City for each Fiscal Year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such Fiscal Year). The annual financial statements may be provided by specific incorporation by reference to any other documents which have been filed with the Repositories, the Securities and Exchange Commission and the MSRB.

Section 5. **Remedies**. If the City should fail to comply with an provision of this Undertaking, then any holder or Beneficial Owner of the Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of such party hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances and, provided further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with Sections 2 and 3 hereunder are conditions upon the provisions of the Ordinance with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default thereunder as though such provisions applied hereunder. Failure of any party to perform its obligations hereunder shall not constitute an Event of Default under the Ordinance or any Undertaking executed and delivered in connection with the issuance of the Bonds.

Section 6. **Parties in Interest**. The provisions of this Undertaking shall inure solely to the benefit of holders and Beneficial Owners from time to time of the Bonds, the City and the Paying Agent and shall create no rights in any other person or entity.

Section 7. **Amendments**.

(a) Without the consent of the holders or Beneficial Owners of the Bonds, the City and the Paying Agent, at any time and from time to time, may together enter into amendments or changes to this Undertaking for any purposes, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth herein, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

(b) Annual Information for any Fiscal Year containing any amended operating data or financial information for such Fiscal Year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Information being provided for such Fiscal Year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent in a timely manner by the City to each Repository or to the MSRB.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premium, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Ordinance; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information requirement to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the City shall provide notice of such defeasance to each Repository or to the MSRB, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 9. Central Post Office.

The City currently is authorized to use the Central Post Office for the submission of Annual Information and material events notices for so long as the central post Office is recognized, authorized or approved by the Securities and Exchange Commission to receive such disclosure submissions in satisfaction of the requirements under Rule 15c2-12.

As of the execution date of this Disclosure Undertaking, the Securities and Exchange Commission has approved amendment of Rule 15c2-12, effective on and after July 1, 2009, requiring filing of disclosure submissions with the MSRF via EMMA. On and after such effective date, it is anticipated that the filing of disclosure submissions with the central Post Office, or directly to the current nationally recognized municipal securities information repositories, will no long satisfy the requirements of Rule 15c-2-12.

Section 10. Notices. Any notices of communications to the City may be given as follows:

City of Kansas City, Missouri
414 East 12th Street, 1st Floor
Kansas City, Missouri 64106
Attention: City Treasurer
Telephone: (816) 513-1019
Facsimile: (816) 513-1020

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 11. Governing Law. THIS UNDERTAKING SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MISSOURI DETERMINED WITHOUT REGARD TO PRINCIPLES OR CONFLICT OF LAW; PROVIDED, HOWEVER, THAT TO THE EXTENT THIS UNDERTAKING ADDRESSES MATTER OF FEDERAL SECURITIES LAWS, INCLUDING RULE 15c2-12, THIS UNDERTAKING SHALL BE GOVERNED BY SUCH FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

Section 12. Counterparts. This Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Undertaking as of the date written below.

DATED: March ___, 2009.

CITY OF KANSAS CITY, MISSOURI, as the Obligated Person

By:____
Name: Jeffrey A. Yates
Title: Director of Finance /CFO

EXHIBIT A
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORIES
(in effect through June 30, 2009)

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
e-mail: nrmsir_repository@sandp.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 Williams Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999 or (800) 689-8466
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

Any notices to or filings with the National Repositories and the State Repository, if any, may be effected by sending the notice or filing to Disclosure USA, in accordance with its published procedures, for further submission by Disclosure USA to the appropriate repositories, as follows:

For electronic submissions:

www.DisclosureUSA.org

MUNICIPAL SECURITIES RULEMAKING BOARD

For all filings on or after July 1, 2009 via EMMA (www.emma.msrb.org)

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APPENDIX G

SPECIMEN BOND INSURANCE POLICY

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BERKSHIRE HATHAWAY ASSURANCE CORPORATION
NEW YORK, NEW YORK

FINANCIAL GUARANTY INSURANCE POLICY

DECLARATIONS

Policy No.:

Issuer:

Description of Obligations:

Fiscal Agent:
Premium:

Effective Date:

Endorsements:

INSURANCE POLICY TERMS AND CONDITIONS (Primary)

Berkshire Hathaway Assurance Corporation ("BHAC"), a New York corporation, in consideration of the payment of the Premium and subject to the terms and conditions of this Policy (which includes any endorsement hereto), hereby agrees unconditionally and irrevocably to pay U.S. Bank National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of the Holders of the Obligations (as set forth in the Bond Ordinance, bond resolution and other applicable authorizing documents providing for the issuance of and securing the Obligations), that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BHAC will pay an amount equal to such Insured Payments to the Fiscal Agent on the later to occur of (i) the Business Day following the day on which BHAC shall have Received a completed Notice of Nonpayment, or (ii) the date applicable principal or interest becomes Due for Payment. If a Notice of Nonpayment to BHAC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and BHAC shall promptly give notice to the Fiscal Agent that the purported Notice of Nonpayment is not deemed Received. Upon receipt of such notice, the Fiscal Agent may submit an amended Notice of Nonpayment. The Fiscal Agent will disburse the amounts paid to it by BHAC in respect of such Insured Payments to the Holders only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including, without limitation, any appropriate instruments of assignment, that all of the Holder's rights to payment of such Insured Payments shall thereupon vest in BHAC. Upon such disbursement, BHAC shall become the owner of the Obligation, appurtenant coupon (if any) or right to payment of such Insured Payments and any interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including the Holder's right to payment thereof. Payment by BHAC to the Fiscal Agent for the benefit of the Holders shall discharge the obligation of BHAC under this Policy to the extent of such payment.

This Policy is non-cancelable by BHAC for any reason. The Premium on this Policy is not refundable for any reason, including the payment prior to maturity of the Obligations. This Policy does not insure against any acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of BHAC, nor does this Policy insure against any risk other than Nonpayment.

Except to the extent expressly modified by the Declarations to this Policy or any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy.

"Avoided Payment" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to any applicable bankruptcy law in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) any day on which the offices of the Fiscal Agent are authorized or required by law, executive order or governmental decree to be closed.

"Due for Payment" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BHAC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest.

"Holder" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations.

"Insured Payments" means the principal of and interest on the Obligations that shall become Due for Payment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Issuer to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Issuer by reason of such failure.

"Nonpayment" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment.

"Notice" means telephonic or telegraphic notice subsequently confirmed in writing, or written notice given by overnight or other delivery service, or by certified or registered United States mail, from a Holder or a paying agent for the Obligations to BHAC. Notices to BHAC may be mailed by certified mail or may be delivered by telecopier to facsimile number (203) 363 5221, attn: Bond Insurance Claims, or to such other address as shall be specified by BHAC to the Fiscal Agent in writing.

"Obligation" means the bonds stated in the Declarations.

"Receipt" or "Received" means actual receipt of Notice of or, if Notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of BHAC.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAWS. Payments under this Policy may not be accelerated except at the sole option of BHAC.

Premium is due not later than the Effective Date.

This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, BHAC has caused this Policy to be executed on its behalf by its duly authorized officer, and to become effective and binding upon BHAC by virtue of such signature.

BERKSHIRE HATHAWAY ASSURANCE CORPORATION

By.____________________________________
Name:__________________________________
Title:___________________________________

ATTEST:

By.____________________________________
Name:__________________________________
Title:___________________________________